New Departures in Industrial Relations:

Developments in the U.S., the U.K. and Canada

An Occasional Paper

BRITISH-NORTH AMERICAN COMMITTEE

Sponsored by
British-North American Research Association (U.K.)
National Planning Association (U.S.A.)
C.D. Howe Institute (Canada)

88-04868/

The British-North American Committee

At the Committee's first meeting in New York City, December 1969, the following statement of its aims was authorized:

> *The British-North American Committee has been established to study and comment upon the developing relationships between Britain, the United States and Canada. It seeks to promote clearer understanding of the economic opportunities and problems facing the three countries, to explore areas of cooperation and possible friction, and to discover constructive responses. It believes that sound relations between these three countries in the context of an increasingly interrelated world are essential to future prosperity and seeks to promote better understanding through the collection of facts and their widespread dissemination.*

During the 19 years since then, the Committee has broadly maintained these aims and has sponsored a series of objective studies undertaken by qualified experts in the three countries and published with the Committee's approval. On the basis of these factual studies and of discussions at its meetings, the Committee has also issued policy statements signed by its members.

The diversity of issues that the BNAC has addressed is shown by the 40 titles listed on the inside back cover.

The Committee's membership—listed on pp. 67–71—includes business, banking, labor, agricultural, and professional leaders from the United Kingdom, the United States and Canada. The Committee is sponsored by three nonprofit research organizations—the British-North American Research Association in London, the National Planning Association in Washington, and the C.D. Howe Institute in Toronto, described on pp. 72–73.

The BNAC is a unique organization both in terms of its broadly diversified membership and in terms of the blending of factual studies and policy conclusions on issues important to the three countries. It meets twice a year, once in the United Kingdom and once in North America. Its work is jointly financed by funds contributed from private sources in the United Kingdom, the United States and Canada.

Offices on behalf of the Committee are maintained at 1616 P Street, N.W., Suite 400, Washington, D.C. 20036, and at Grosvenor Gardens House, 35–37 Grosvenor Gardens, London SW1W 0BS. Edward E. Masters (President of the National Planning Association in Washington) is Acting North American Director of the Committee, and Simon Webley in London is the British Director.

A.B. MARSHALL — WILLIAM I.M. TURNER, JR.

Cochairmen of the Committee

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ISBN 0-89068-092-2
Library of Congress Catalogue Card Number 87-63218

Published by the British-North American Committee

Printed and bound in Washington, D.C.
April 1988

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Preface by the Joint Chairmen

Members of the British-North American Committee have been examining the characteristics of recent industrial relations experiences in the United States, Canada and the United Kingdom. As part of this program, a leading academic from each of the countries represented on the BNAC was asked to review the situation in his country: Professors Tom Kochan of the Massachusetts Institute of Technology, Ben Roberts of the London School of Economics, and Noah Meltz of the University of Toronto. We consider that they make a useful contribution to thought on what is being called the new era in industrial relations.

We also include case studies describing joint labor-management initiatives by Xerox in the United States, Inco in Canada and Vickers PLC in the United Kingdom. These provide practical examples of what can be done when constructive attitudes are taken regarding worker-management issues in times of rapid change.

As will be seen from the summary on page 63—"New Cooperative Relationships: A Complement to Collective Bargaining"—the British-North American Committee is still asking questions rather than reaching conclusions on this subject. We are pleased to make these papers and case studies available to a wider public.

A.B. MARSHALL
Cochairman

WILLIAM I.M. TURNER, JR.
Cochairman

WILLIAM J. McDONOUGH
Chairman, Executive Committee

Introduction

by Phillip E. Ray

Vice President, National Planning Association

Have relations between labor and management in the United States, the United Kingdom and Canada really changed? Have the adversarial practices that have built up since the 1930s been gradually supplemented by a series of partnerships that respond more directly to the competitive challenges in today's international economy and advancing technology and to the aspirations of our contemporary workforces? The mostly affirmative answers from Professors Kochan, Roberts and Meltz in the papers that follow are based on their broad experience with labor and management in the three countries as well as on a series of discussions within the British-North American Committee on innovations in industrial relations. Indeed, most observers acknowledge that a new spirit of teamwork is responsible for helping to preserve such hard-hit industries as autos, steel and electronics and thus the jobs of many workers and the lives of numerous communities. A basic question, of major interest to the BNAC, remains: will U.K., U.S. and Canadian labor and management use this opportunity to transform their old confrontational ways into more cooperative relationships that will enable industrial production to survive in the new environment?

The three experts agree that shedding the "us versus them" concept in labor-management is indispensable in planning to compete. They share a concern that new opportunities for cooperation not be lost because of past industrial relations attitudes. The strongest argument for the continuing transformation of industrial relations that emerged from the BNAC discussions is relatively new—labor-management cooperation suits today's labor force. Workers today tend to be better educated and less willing to work in a rigidly structured, nonparticipative environment. Through work they expect to improve their standard of living, their control over the environment and their self-esteem. The desire of workers to demand fulfillment of individual rights and job equality and their growing expectations that work will provide opportunities for personal growth hold enormous potential for the new generation of managers and labor leaders.

The experiences of BNAC members include cases in which workers and companies under enormous pressure have discovered that cooperative relations can contribute to workable solutions. In many situations their successes have translated into more competitive output, more

security for workers and better quality of work life. As these changes become institutionalized within the organizations that initiated them and as they become diffused into broader settings, a new mode of industrial relations should emerge that better serves the U.S., U.K. and Canadian societies. The only threat comes from the parties themselves—will they be willing to combat jointly the forces that, in times of less serious economic problems, have allowed traditional labor-management attitudes and collective bargaining procedures to resume.

IMPROVING PRODUCTIVITY AND EMPLOYEE INVOLVEMENT

Many of the new departures in joint labor-management programs during the past decade did not grow out of labor-management conflict; indeed, the recent innovations are perhaps the more remarkable for having arisen despite the political climate and atmosphere of hostility between organized labor and many employers. The initiatives emerged instead from the need to solve urgent economic problems. Depressed productivity rates, intense competition from foreign producers, serious unemployment, and major structural changes are quite different motivations than the forces at work in prior union-company partnerships.

Historically, union-management cooperation is not a new phenomenon, although its examples are neither numerous nor usually long lasting. Successful labor-management initiatives have frequently resulted from special and changing circumstances—when economic difficulties have threatened the survival of both parties and when international tension has necessitated cooperation in the interest of national security. In such crises, collective bargaining has proved an adequate forum for addressing the urgent issues. Collective bargaining relationships have been much longer lived than the generally limited life span of labor-management cooperative initiatives, for a variety of reasons. The central problem that caused the initiative may pass or be resolved; special leadership may change; circumstances may create a new set of critical issues; a vital neutral or government official may no longer be available; or both parties' willingness to cooperate may be undermined by internal considerations.

Thus, some argue that no truly new methods have come along to reinvigorate cooperative efforts and that after so many years it is unrealistic to expect any rapid diffusion of joint programs among collective bargaining relationships. Others argue, however, that the new labor-management partnerships, in addition to addressing basic operation concerns, focus on broader issues that influence the economic performance

of major companies as well as entire industries. These initiatives have promoted fundamental changes in the corporate-union environment and have established an innovative and more flexible relationship involving employees and unions in business strategies for growth and product quality and development. What distinguishes these joint efforts from earlier programs is their commitment to employee involvement and quality of work life.

THE EXTERNAL ENVIRONMENT

A focus on the external environment is important because the industrial relations systems in the three countries are characterized not only by an emphasis on free collective bargaining based upon the right of employers to manage and of employees to organize in trade unions, but also by the acceptance of democratic political structures and capitalistic ownership and control. The elements making up the overall industrial relations system have varied in importance over time and place, and the public's tolerance for the collective behavior of unions has shifted. In addition, the broad stage on which labor, management and government perform continues to change dramatically from economic prosperity to economic crisis, from laissez faire to market intervention and from government administration to administration. But the dominant component of the industrial relations system remains labor and management's mutual interest in sustaining a problem-solving relationship that is supported by collective bargaining and in which changes occur at regular intervals in a businesslike way.

There is a strong cooperative relations sector within the industrial relations system. Cooperative arrangements come in many forms, including industrywide and areawide labor-management committees and programs, and many that go beyond the traditional collective bargaining setting. As discussed above, the catalyst in the latter situations is usually international competition where the issue is survival versus extinction, not union versus management conflict. This segment continues to coexist, but with a declining confrontational element that is usually marked by intense domestic, often nonunion, competition.

The shifting environment and the modalities of the industrial relations system provide a useful focus for the discussion that follows. The experiences of BNAC members and the papers by Professors Kochan, Roberts and Meltz and the case studies that are presented here form the basis for conclusions about recent innovations in industrial relations in the United States, the United Kingdom and Canada. Those discussions also raise important questions that are addressed in the concluding section on

"New Cooperative Relationships: A Complement to Collective Bargaining."

The traditional setting within the volatile history of labor-management relations experienced by each of the three countries must not be ignored. But the politics of confrontation cannot accommodate the changes needed in the relationship between labor and management to help them solve the difficult problems created by today's international economy and new technology. The experiences of the past decade must be seen as responses essential to mutual survival in the face of these competitive challenges.

Enhancing Industrial Relations Innovations in the United States

by Thomas A. Kochan

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Massachusetts Institute of Technology

INTRODUCTION

In the United States, the first half of the 1980s have been years of great innovation and experimentation with new patterns of industrial relations. At the same time it has been a period in which relations between the labor movement and some employers and between the labor movement and government policymakers have become more polarized, distrustful and adversarial. In research at MIT, we have attempted to identify the strategies and factors that will determine whether sustained innovation and more productive and cooperative labor-management relations *or* increased labor-management conflict, hostility and less competitive enterprises will dominate the future of industrial relations in the United States. We believe leaders of American business, labor and government now face an important and historic set of strategic choices in determining which of these contrasting paths our industrial relations system will follow. Unless labor, management and government leaders make conscious efforts to promote innovation, the future of American industrial relations is likely to be dominated by heightened conflict and less effective relationships with regard to U.S. competitiveness.

The discussion of the British situation by Professor Ben Roberts describes many of the factors that have produced the dual experiences of greater polarization and greater innovation. While some of these forces are unique to Britain, many apply to the United States as well. The increase in international and domestic competitive pressures, the availability of new technologies that work best when matched with flexible work designs, and the policies of a conservative administration and legislature are also features of the U.S. industrial relations climate. Therefore, rather than repeat many of these points, I will move directly to the question of what our research suggests that labor, management and government leaders can do to enhance the staying power and diffusion of industrial relations innovations in the United States.

FOUR INNOVATIONS

Four types of innovations in industrial relations will be discussed, each of which represents a different starting point for introducing change: (1) employee participation processes; (2) work organization reforms; (3) introduction of new technology; and (4) union participation in strategic management decisions.

(1) Employee Participation Processes

- Quality of work life (QWL) initiatives and related forms of joint union-management participative processes are the most frequent starting points for labor-management cooperation.
- QWL processes are a useful starting point for building trust, giving employees, supervisors, managers, and union leaders initial experience with participative techniques. But standing alone they do not make a significant enough contribution either to improved economic performance for the firm or to enhanced economic security for employees to be a *sufficient* reform or innovation strategy. To be sustained over time, participative decisionmaking principles need to be applied to larger organizational and strategic problems as well as to decisions that affect the economic performance of the business, the employment security of the workforce and the organizational security of the union.
- The most successful QWL processes have made this transition and address broader issues that speak directly to the economic security interest of employees and the economic performance needs (e.g., productivity, quality, innovation) of the employer. Otherwise, QWL remains a marginal activity that will not survive management or labor leader turnover, nor will it warrant the continued commitment and interest of rank-and-file employees and supervisors.

(2) Work Organization Reforms

- U.S. employers have pressed hard for increased flexibility in work rules and the organization of work into team structures. This reflects management's desire to tap both the motivational potential of broader task structures and the need to overcome the rigidities and high costs of traditional work structures and work rules.
- The introduction of flexible work systems has been most successful in new or "green field" sites where these concepts are built into the design of the organization and labor-management system from the start. Here the workforce is selected and trained to fit into the emphasis on

teams, and the compensation system is designed to reward workers for mastering new skills and tasks. So far these new systems appear quite durable. While it is harder to apply these concepts in existing plants, a number of unions and companies have recently been successful in doing so by using problem-solving and joint planning processes in designing and implementing the new concepts. Then the parties have used collective bargaining to negotiate employment security, compensation adjustments and other contractual issues as necessary.

- Many changes in work rules have also been introduced through hard negotiations, sometimes involving a strike. Our case study evidence suggests that where this occurs, the changes endure and management continues to benefit from the flexibility and lower costs of the new work arrangements. However, this occurs only if management provides for employment and income security protection for returning and incumbent workers and then gains employee support by adopting managerial styles that are conducive to sustaining trust and flexibility.

(3) Introduction of New Technology

- The fullest potential of new technology is realized when employees are involved in the decisions leading up to the choice, design and implementation of the technology. Massive investment in new technology without integrating human resource considerations into the technology strategy and decisionmaking process is likely to yield a longer learning curve for making the technology work, greater resistance by employees to its full utilization and less continuous learning and returns from the technological investment.
- Principles for gaining acceptance of new technology identified in previous periods of technological innovations apply equally to today's technologies and their implementation. Namely, employment security considerations must be addressed; adequate training must be provided; and because not all employees are able to adapt or learn the new skills required by the new technology, the ability to make careful and valid selection decisions must be provided as well as a strategy for helping those unable to make the adjustments.

(4) Union Participation in Strategic Management Decisions

- Union and/or worker participation in decisions that earlier would have been left to the sole discretion of management challenges the long-standing principle that it is management's job to manage and union's job to negotiate or file a grievance over the consequences of management

decisions. Strategic interactions have taken various forms, such as greater sharing of information by management of competitive conditions or anticipated market or organizational changes, union participation on managerial staffs, worker representation on boards of directors, employee stock ownership plans, strategic bargains over new investments or reinvestments in existing facilities, and worker and/or union participation in strategic planning processes.

- Most examples of worker or union participation in strategic management decisionmaking have been bargained, more often than not in exchange for concessions by industries undergoing severe economic dislocations. Usually these strategic quid pro quo's are found only in situations where management does not see viable options for either avoiding unions in the future or being competitive without the sustained support and cooperation of the union(s) that represent their current workers.
- On the basis of our work, we concluded that union or worker involvement in strategic management decisionmaking is necessary for reinforcing and sustaining participation and innovation at the workplace. Conversely, worker or union participation at the strategic level is unlikely to be successful over a sustained period without greater involvement and participation at the workplace.

STRATEGIES TO SUSTAIN AND DIFFUSE INNOVATIONS

Management

Sustaining these innovations and diffusing them to broader settings will require management to accept a broader and more secure role for union leaders and union organizations. Innovation and cooperation with unions cannot be sustained over time in organizations committed to a strategy of union avoidance in new investments or facilities.

Sustaining these innovations will require business strategies that emphasize long-run paybacks to investment and competitive strategies that rely on effective use of human resources to achieve cost and quality objectives. Strategies that call for frequent buying and selling of assets or businesses, relocation of work in response to short-run variations in labor costs, or the use of new technology primarily to control the workforce or to minimize employee input will limit the diffusion of innovations.

Labor Leaders

Diffusion and institutionalization of innovations in labor-management relations require that the labor movement adopt the principles these

innovations embody as part of their basic strategies for organizing and representing workers. A union leadership strategy of neutrality or passive acceptance of these innovations will only continue the uncertainty and internal political conflicts within unions. It will also leave employers to question the political support these processes will receive from future union leaders.

Political Leaders and Policymakers

Diffusing and institutionalizing these innovations cannot be accomplished without significant and sustained leadership from national political leaders and changes in public policies that reflect endorsement and support for new forms of industrial relations and organizational governance. Changes in the content and administration of labor laws are necessary but not sufficient for sustaining and diffusing innovations.

To put the private experimentation of the early 1980s in a historical perspective, consider the following. Collective bargaining diffused and became a stable institution in American society only after the private experiments of unions and employers in the clothing, skilled trades and other industries were adopted as the basic public policy of the country in the Wagner Act, implemented with the support of the National Labor Relations Board and the War Labor Board and reinforced by Keynesian economic policies. To be institutionalized, these new forms of industrial relations will need to be similarly integrated into the development and administration of economic, trade, employment and training, and labor policies.

A New Era in British Industrial Relations

by B.C. Roberts

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The model of U.K. industrial relations that had lasted for more than a century began to be identified in the 1950s as a major factor in the country's relatively poor productivity performance and tendency to generate inflation. As these problems assumed a more threatening significance over the next two decades, reform of the industrial relations system became a political issue of central importance.

The principles on which the British system of employment relations was based are generally described as "voluntarism," meaning that the law played a limited role. An eminent labor lawyer from Germany even described the system as one in which law was absent. In short, employers had the right to manage their labor force as they thought necessary in the best interests of the shareholders. They were not entirely unrestricted by law, however, because they were subject to health and safety legislation and the law of contract as it affected employment. Their employees had the right to form unions. If these were recognized by the employers, they were entitled to exercise pressure through collective bargaining, supported by calling members out on strike when deemed necessary. Unions enjoyed immunity from legal proceedings in the courts for any damage their collective action might cause to an employer's business. Collective agreements had virtually no legal significance because they could not be enforced through the courts. Although both parties to the collective bargaining process perceived this adversarial freedom as advantageous, it had significant disadvantages: it encouraged mutual distrust, placed a premium on conflict and made the maintenance of power to inflict damage a more important objective than the development of mutual obligations. Where unions were well organized, peace in industry was achieved by a precarious balance of power that rested on maintaining the status quo. Both sides were very reluctant to alter this unless under extreme pressure induced by economic, political and social factors beyond their control.

Although the system survived two World Wars without fundamental adjustments, the speed of economic, technical and social change after the Second World War began to raise questions that pointed to a

need for more radical legal and organizational reforms. However, union opposition and employer inertia combined to undermine attempts in the 1960s and 1970s, including a royal commission and legislation, to bring about change that was becoming obvious as essential. Over those two decades, the system of industrial relations had contributed to the growing problem of cost inflation and to a serious decline in profitability and investment; it had created massive problems of overmanning; it had resisted the introduction of new technology; and it had been a factor in falling levels of competitiveness. But relatively high rates of world economic growth, the coming on stream of North Sea oil and the growing success of the financial sector had, to some extent, masked the decline in Britain's relative economic performance in the 1970s. The end of the decade, however, proved to be a watershed.

Record levels of inflation and social discord made 1979 a "winter of discontent." Seeking to protect their members from the consequences of policies and practices they had ardently pursued, the unions brought down (not for the first time) a Labour government that had done its utmost to avoid forcing them to face the need for fundamental change. The advent of a Conservative government coincided with the onset of a world recession that increased pressure on a British economy feeling the effects of global competition, the growing importance of developing countries as exporters of manufactured products, the rapid advance of technology, and the influx of foreign-owned companies. These developments had significant influence on the traditional pattern of industrial relations; enterprises were compelled to make major adjustments in their labor force as they responded to economic circumstances and adopted new methods of production to remain viable.

As unemployment surged upward, especially in the established manufacturing industries where unions had traditionally been most strongly organized, union membership fell dramatically in the first half of the 1980s. The overall percentage of union members dropped from 54 percent of eligible employees to roughly 35 percent in 1986.

In meeting the effects of high unemployment and structural change, the unions have been handicapped by their inability to organize effectively in the expanding areas of the economy. These have been mainly in high technology industries and in services. Many of the new jobs in the private sector have been filled by women workers and an increasing number are part-time and temporary. To a large extent these jobs have been in new, small-scale enterprises. Recent research has shown that membership loss in the heartland of union strength has depressed union morale and that financial stringency has discouraged attempts to recoup losses by active recruiting campaigns in areas that placed a heavy burden

on union resources. In early 1987 a number of unions showed signs of making a much more resolute effort to carry out recruiting activities, but it is too soon to estimate the success of those efforts. There is no evidence that union activists believe the decline in membership in the private sector can be easily or quickly reversed, and many unions are looking to mergers as their salvation.

The situation is different in the public sector. In national and local government, other branches of the public service, the National Health Service, and education, union membership has risen in some areas, but where cuts have been made, as in civil service and education, membership has declined somewhat. Overall in the public sector, however, unions remain relatively strong, and militancy is at a higher level than in the private sector. There have been substantial drops in the nationalized coal, steel, railways, and communications industries, as overmanning has been reduced and denationalization has taken place.

THE IMPACT OF MRS. THATCHER'S GOVERNMENT

The fall in union membership and the decline in union morale and militancy were also significantly influenced by the election of Mrs. Thatcher's government in 1979 and reelection in 1983 and 1987. The government was pledged to reform industrial relations by reducing the level of inflation, by privatization and by changing the legal framework to remove some of the long-enjoyed underpinnings of union strength.

The Conservative's legislation and the withdrawal of government support from the unions were designed to encourage employers to take steps to reform industrial relations, if necessary through the courts. This legislation was introduced in stages in 1980, 1982, 1984, and 1986 and is not yet completed. The effect has been to restrict the growth of compulsory union membership forced upon employers, to democratize the unions by making secret ballots a legal requirement for the election of executive councils and the continuance of political funds, and to compel ballots before strikes take place. The legislation has narrowed the scope of lawful strikes; made secondary action and picketing unlawful; removed the immunities previously enjoyed by unions from civil actions in the courts; deregulated aspects of employment protection laws especially as they affected small employers; withdrawn the power of wage councils to impose legal minimum wages for persons under 21; and limited the power of wage councils to setting a statutory minimum wage for adults, but no other conditions of employment.

It is widely agreed that the legal changes made in the 1980s—which have been strongly supported by employers' organizations though not by

all managers—have had a significant effect on the behavior of employers and unions. These changes have helped to create a climate in which employers have been encouraged to be bolder in carrying out the restructuring of their manpower and industrial relations policies. However, British employers have not followed the example of their American counterparts by taking advantage of the 1980s legislation to rid themselves of unions. Although the closed shop has been an important factor in the establishment and maintenance of union power in the workplace, employers have been reluctant to use the changes in the law to bring this to an end. Some of them, especially personnel managers, have doubted the wisdom of changes likely to weaken the unions and in so doing have encouraged line management to be more aggressive, thus leading to a deterioration in relations with the unions. The dangers of "macho-management" were emphasized in 1986 by the former chairman of the Advisory, Conciliation and Arbitration Service (ACAS), Sir Patrick Lowery, now president of the Institute of Personnel Management, and others,[1] but there is little evidence that these fears have been justified.

In some respects the government's reforms fell short of their aims to give union members greater protection from the exercise of power by militant minorities and to encourage wider membership participation in the election of miners' leaders and in the decisions to take and support strike action. The election manifesto that returned the Thatcher government to power in June 1987 promised further changes. These were strongly supported by the Institute of Directors, but evoked a less enthusiastic response from the Confederation of British Industry (CBI) and a hostile one from the Institute of Personnel Management. The new proposals would seek to (1) end any legal protection for the closed shop; (2) remove the right of a union to discipline a member who ignored a decision to strike; (3) give members the right to take legal action against the union if strikes are called without a ballot; (4) make all union ballots by mail; (5) compel all union executives to be chosen by ballot elections by mail; (6) give union members the right of access to their own unions' accounts; and (7) appoint an independent commissioner to assist members in taking their union to court if they believed their rights had been violated. The vice president for employee relations of the Institute of Personnel Management, Henry Ballantine, expressed his "extreme sadness" that "this is being produced at a time just when efforts are being made to bring the two sides together. This can only exacerbate things."[2]

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1. "Looking for the End of Rambo," *Personnel Management*, June 1986; and Lesley Mackay, "The Macho Manager: It's No Myth," *Personnel Management*, January 1986.
2. *Personnel Management*, May 1987.

Although activists strongly attacked the legal changes made by the Conservatives, there is little evidence to suggest that the changes have been deeply resented or that further protection will be opposed by the majority of union members. In fact, opinion polls have shown the contrary. What is most significant is that the percentage of union members supporting the Labour Party in the 1987 election increased only marginally to just over the 39 percent recorded at the 1983 election.

In spite of a number of bitter strikes in the public sector—notably the miners' strike of 1984–85 and the teachers' strikes of 1986–87—the days lost from work stoppages have plummeted since 1979 to the lowest level in 50 years. The Scargill model of violent confrontation has been discredited, even if some elements in the unions refuse to accept that the great majority of members reject the methods employed in the miners' strike and at the News International printing plant at Wapping.

The comparative peace that has prevailed during this period of radical change owes a great deal to the extensive development of redundancy payment schemes, which have cushioned job loss, and to a reluctance on the part of many employees to support militant action called for by union leaders in circumstances where, it was widely believed, there was little chance of victory.

The reluctance of employees in work to engage in strike action has also been influenced by the fact that the decline in union membership has not been accompanied by wage and salary reductions. The rate of increase in wages and salaries has declined from the highest periods of inflation at the end of the 1970s, but prices have risen much less rapidly. For those in employment—more than 85 percent of the working population—the 1980s, except for a short period, have been years of substantial increases in real incomes. Employers may have been willing to raise wages and salaries during a period of declining union strength because of a shortage of skills in the labor market, despite unemployment, and the trickle-down effect of senior managers being granted record pay increases in reward for the rising level of profits achieved by many firms as productivity increased. In the public sector, however, there has been no similar improvement in productivity, and the government has been unwilling to allow those increases to the same extent as has the private sector. But by holding down pay, industrial unrest has been markedly greater, and union strength has declined less.

THE EFFECTS OF NEW TECHNOLOGY

The rapid development and introduction of new technology is another factor that has played a major role in changing the climate of industrial relations in the 1980s. Although new technology has been associated with

the decline of Britain's heavy industries—the heartland of its traditional model of industrial relations—and the development of socially damaging high levels of unemployment, it has also broken down entrenched and outdated attitudes and employment practices. A positive result of new technology has been a boom in new enterprises and new jobs, especially in the southern half of Britain, but also in areas of northern England, Wales and Scotland, often in suburban and rural counties that have no strong traditions of trade union organization.

As previously noted, the new jobs are most frequently in the smaller scale enterprises, they are often filled by female workers, and there is a high proportion of part-time workers; there has been a considerable expansion of self-employment and subcontracting as well. These groups of employees, particularly in the high technology enterprises, have been reluctant to join unions. Surveys have shown that although employers have not pursued an active campaign to rid themselves of unions, they have become less willing to encourage unions where they have not gained a foothold. In 1984 a national manpower survey of some 905 firms in the British Electronics and Allied Industries—over one-fourth of the industry—indicated that 60 percent of these companies were not in favor of union activity. In commenting on these figures, Philip Bassett, Labour editor of the *Financial Times,* has noted that where union membership is not welcomed, "it tends not to exist."

Unions rely to a great extent on employers encouraging and enforcing membership. Where this does not exist, the unions are highly vulnerable when potential members see little reason to join and existing members are ready to drop out.

Evidence suggests that employees in the high technology sector are generally well satisfied with their jobs. Many identify unions with an outmoded life style. Their image of unions tends to be of organizations of cloth-capped manual workers who are manipulated by class-conscious militants and led by bureaucratic bosses primarily concerned with preserving their organizational power and advancing their political interests. Because employees in high technology industries are well aware of the considerable demand for their skills, they have a strong sense of independence. Faced with a problem, they prefer to sort it out by personal discussion with their manager. If they do not succeed, they would rather look elsewhere for a new job than rely on unions for outside help. Compared to relationships in the older type of large-scale manufacturing industries, those in relatively small high technology firms are more open and relaxed, there is a greater acceptance of mutual responsibility, and there is more of a sense of corporate loyalty and enthusiasm for the success of the enterprise.

Advanced technology is, of course, not confined to the small high tech firm, but is rapidly spreading to virtually every type of enterprise and most areas of work activity. A Workplace Industrial Relations Survey (WIRS)—carried out under the auspices of the Department of Employment; Economic and Social Research Council; Policy Studies Institute; and the Advisory, Conciliation and Arbitration Service—which focused on workplace industrial relations and technical change, found that the private sector and foreign-owned companies in particular have been much readier to introduce new technology than the public sector. The reasons suggested for the public sector's lag are the much greater degree of resistance to change from employees and their shop stewards and the much poorer communications between managers and union representatives and their members than in the private sector. Although no reference is made by the survey's author to the greater organizational strength of the unions in the public sector, nor is reference made to the greater involvement of full-time union officers at the national level in the making and implementing of decisions relating to new technology and associated changes in patterns of work organization, there is reason to believe these factors have been significant.

There is no evidence in the WIRS survey that workers' attitudes have become more hostile to management as a result of the introduction of new technology. The survey showed that, in general, workers, shop stewards and union officials have welcomed the introduction of new technology. They feel it has been associated with improvements in working conditions, and it has not so far caused the direct displacement of workers to the extent feared because many new jobs have been created. However, there has been resistance in some highly unionized establishments to the organizational changes associated with the introduction of new technology, particularly where these have given rise to conflicts of interest between workers belonging to competing unions. It is, therefore, necessary to draw a distinction between the introduction of technology and the changes in the organization of work that might be instituted.

Although the introduction of new technology in the past was often accompanied by bitter resistance from workers and unions—and examples still arise—contemporary development suggests greater willingness of a substantial number of union officials and workers to cooperate eventually with management in changes that would be beneficial to the enterprise as well as to themselves. It cannot be overlooked, however, that a significant number of militants in unions are often not prepared to accept changes in work practices without a damaging struggle. In their view, to shift to a less adversarial and more participative pattern of employment relations would give their class enemies a victory and would

betray their beliefs. In spite of their determination to pursue a battle with management, they have often been compelled to retreat before the clearly expressed opinion of a larger number of workers that they prefer a different climate of industrial relations. Most workers want issues arising from technological and economic changes to be resolved through peaceful adjustment and mutual accommodation to common interests rather than through a fight that inflicts injury on both sides.

A PERMANENT NEW INDUSTRIAL RELATIONS CLIMATE?

Is the new climate of industrial relations in the private sector likely to be a permanent change? This is a critical question. Many students of industrial relations believe that the decline in union membership, the less militant pattern of pay bargaining, and the greater readiness to accept new technology and restructuring of jobs is a temporary phase. They believe that the old attitudes will be reasserted if the rate of economic growth picks up and unemployment is substantially reduced, and especially if inflation is allowed to become rampant again.

These fears may be exaggerated for a number of reasons. First, the danger that Conservatives would be replaced by the Labour or Alliance Parties has been removed for another Parliament. In the long run it is unlikely that the legislative changes made by the Conservatives will be entirely changed with the advent of a Labour or Alliance administration. No government would wish to encourage a restoration of union militancy and resistance to improvements in productivity and economic stability. A Labour government, however, would be much more sympathetic and supportive of the trade unions and, if it carried out its commitments to the unions, it would repeal at least some of the legislation introduced by the Conservatives in the 1980s. The Labour Party is committed to giving the unions legal power to compel employers to enter into recognition agreements and to engage in collective bargaining. It would almost certainly remove the requirements imposed by the 1980s legislation to restrict and ultimately eliminate the closed shop. It is also likely that the unions would be protected from legal actions for engaging in secondary strikes, "blacking," secondary picketing, and other unlawful strike actions. It is, of course, impossible to know if the relationship of the unions and the Labour Party will remain the same. Although there can be little doubt that a massive Labour victory in the future would change the labor relations climate and perhaps greatly strengthen the unions, it is doubtful that such a victory would entirely nullify other changes that have taken place in the long period of Conservative rule.

In the private sector, the changes have not been simply and solely due to the legislation introduced by the Conservatives. In the harshly competitive climate of the 1980s and confronted by advancing technology, many companies have had to develop much greater organizational flexibility in order to achieve higher productivity. Flexibility in the organization of work, which enables management to reduce labor costs substantially in adapting to new technology, presents difficult problems for unions whose organizational boundaries have been determined by job contours that no longer exist and therefore can no longer be justified. Multiple unionism—based on distinctions between employees graded as skilled and unskilled, maintenance and process, manual, technical and clerical—is increasingly seen by employers as an expensive and irrational obstacle to the redesign of work made imperative by technological change, the need to improve job satisfaction, and operational efficiency.

Functional flexibility is being encouraged by companies determined to minimize labor costs and to secure improved work performance and quality control through the introduction of pay systems that reward multiple tasks, flexible hours, training for new skills, and greater responsibilities. These developments are increasingly leading to divisions within and between unions as control of the workplace has had to give way to new patterns of work organization and the development of direct links between management and employees. There has been a limited decline in the number of stewards, but their traditional adversarial role stemming from an outdated union structure has become less relevant. In some cases they continue to defend an eroding power base; in others where management has been strong and skillful, they are coming to terms with structural changes and playing a more positive role.

In many companies a significant change in management style and in the perceptions of human resource management has occurred. There is more consciousness of the cost of labor and the need to plan and motivate the utilization of human resources to respond to the new business requirements. There has been a growing recognition of the need to provide more information, and of the need to strengthen employee loyalty to the company by offering more than relatively good conditions of employment. Although companies have strongly resisted proposals such as those contained in the Bullock Report on Industrial Democracy or the European Economic Community Directives (which would have obliged firms to have employee directors on their boards), managers are increasingly aware that obtaining the commitment of employees to company objectives is more likely if they are better informed and can participate in the making of decisions within their field of competence and work responsibilities.

There has been little or no growth in formal types of employee participation through joint consultative committees. On the other hand, there has been a significant increase in less formal efforts to develop two-way communications between workers and managers, such as team briefings, quality circles and other opportunities for joint problem-solving and feedback discussions on workplace-related issues. The adoption of common standards of employment relating to sickness, pension benefits, canteen facilities, holiday entitlement, and parking arrangements has become normal. Personnel policies have contributed to breaking down social divisions.

To encourage a more open style of management, the law now requires companies to report on industrial relations developments in their annual reports. While this provision has not in itself been the major stimulus, it has contributed to the trend of providing employees with more information about their company's performance. Evidence suggests that the large multinational companies, especially foreign-owned MNCs, have been conspicuously effective in these developments.[3]

EMPLOYEE SHARE OWNERSHIP

Participation in capital ownership has the strong support of the present government, which is intent on encouraging a climate of cooperation between employers and employees as an alternative to confrontation and class conflict.

There has been a long history of enlightened, somewhat eccentric entrepreneurs in Britain, from Robert Owen to John Spedan Lewis, who have been convinced that employee partnership through common ownership is the most obvious way to enlist the loyalties and energies of all employees, whether managers or rank-and-file employees. Retail cooperatives have been highly successful for over a century, and the John Lewis Partnership continues to demonstrate that the principles of profit participation combined with efficient management can be extremely effective in organizing a commercial business on the largest scale.

However, by comparison with retail organizations, producer cooperatives have often proved more difficult to manage efficiently, and notable failures have occurred in the recent past. Contemporary research has shown that this need not be the case, and there is evidence that the cooperative principle remains alive and is attracting growing support among newly created small businesses.[4] The number of worker cooper-

3. Neil Milward and Mark Stevens, *British Workplace Industrial Relations, 1980–1984* (London: Gower, 1984).

4. *Financial Times*, April 13, 1987.

atives and community businesses increased by two-thirds to 1,476 between June 1984 and June 1986. However, this is only a very small minority of the total number of enterprises.

Although the cooperative ideal has the nominal support of the labor movement and may be of growing importance, it has little chance of playing a major role in restructuring the British system of industrial relations in the immediate future. Of greater significance is more likely to be the growth of employer share ownership schemes.[5]

A recent survey of Britain's top 1,000 companies reported in 1987 that 67 percent had executive share schemes and 33 percent had employee "Save as You Earn" share option schemes, but only 16 percent had employee profit-sharing schemes.[6] The take up of these schemes has been relatively low, with an average of less than one-fifth of those eligible joining. The number of firms covered by the WIRS with share ownership schemes rose from 13 percent in 1980 to 23 percent in 1987. The proportion with 100 percent employee eligibility rose from 16 percent to 36 percent in the same period.[7]

There is support for employee share ownership from all the political parties, especially the Conservatives and the Liberals, and from many of the major trade unions. The attitude of the more leftward-oriented unions, however, ranges from highly skeptical to out-and-out opposition.

The government has sought to popularize shareholding by weighting the distribution of shares in the privatization of nationalized enterprises, such as British Gas and British Telecommunications, in favor of the small investor. Perhaps the most significant development has been the promotion of Employee Share Ownership Plans (ESOPs) by the Unity Trust. This body was established with the support of union leaders to provide an opportunity for trade unions and their members to benefit from equity participation in British firms by taking advantage of favorable tax treatment made possible by Conservative governments over the past two decades. The aims of British ESOPs have been closely modeled on the highly successful growth of ESOPs in the United States.

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5. There have been a number of studies of the effectiveness of employee share ownership schemes, which conclude that they have a positive effect on industrial relations and company performance. See Keith Bradley and Alan Gelb, *Share Ownership for Employees*, Public Policy Centre, 1984; and Ray Richardson and A. Nejad, "Employee Share Ownership Schemes in the UK: An Evaluation," *British Journal of Industrial Relations*, July 1986.

6. *Financial Times*, April 13, 1987.

7. "British Workplace Industrial Relations, 1980–1984," Milward and Stevens.

The goals are (1) to provide a company with capital for an expansion at modest cost; (2) to create a substantial and permanent employee shareholding in a company; and (3) to give all employees a long-term capital stake in the future of their company.

The first ESOP using the Unity Trust model has been installed by Road Chef, the largest privately owned motorway service company in Britain. Under the scheme, employees will acquire 12 percent of the company, which allows it "to offer a potentially tax-free gift of a stake in the company to [their] employees."[8]

The directors of the Unity Trust have stated that, "As well as fulfilling all current legislative requirements in the U.K., ESOPs go with the grain of all major political parties in terms of economic thinking. In the new attitudes that are beginning to take hold in business Britain, ESOPs are well ahead. ESOPs offer the means to bury the old 'Them and Us' antagonisms by fusing individual and corporate interests within a company to the general advantage."[9]

The tax advantages in Britain are not as great as those in the United States. In terms of tax liabilities, both U.K. companies and individual shareholders are treated less favorably than their U.S. counterparts. The Chancellor has been urged by supporters of the principle of ESOPs to override possible opposition to more favorable tax treatment from the Inland Revenue, which should greatly boost employee share ownership in Britain as it has in the United States. In his budget speech in 1987, the Chancellor offered to consider proposals to make the present concessions more simple and less restrictive. Emphasizing his continuing interest in promoting popular capitalism, the Chancellor published a green paper, followed by a proposal to introduce a scheme of Profit Related Pay (PRP) in his 1987 budget statement. The essence of the scheme is that at least 80 percent of the employees in an employment unit must be covered. The amount of PRP must be at least 5 percent of total pay; one-half of PRP, up to 20 percent of pay or £3,000 a year, whichever is lower, will be tax free. The relief could be as much as, for example, £6 per week added to the take-home pay of a married man—equivalent to 4p off the basic tax rate.

This proposal may not be sufficiently attractive to persuade employees that it is worth attaching up to 20 percent of their pay to a scheme that might be less rewarding than they expected. From the employers viewpoint, the complications of the scheme and the cost of its

8. Statement by the managing director in *Financial Times*, April 13, 1987.
9. *Financial Times*, April 13, 1987.

administration may be a deterrent. Although interest has been expressed by employers and unions, the present idea has not attracted a great deal of enthusiasm and may require further amendment to secure widespread support. However, it points to a potentially important aspect of a new industrial relations model.

THE JAPANESE MODEL IN THE UNITED KINGDOM

The agreements pioneered by Japanese companies that have established manufacturing plants in the United Kingdom in the 1980s have presented a radical challenge to the classic British model of adversarial industrial relations because they are essentially based upon premises that deny the validity of this model.

The main thrust of the Japanese-style agreement is directed at the confrontational and sectarian features of the traditional pattern of industrial relations. It is based on a paternalistic concept of the firm as a unified family in which each member accepts a hierarchy of legitimate managerial authority and an obligation to contribute to the success of the enterprise in exchange for the protection and benefits that a successful firm can provide. The Japanese accept the right of their employees to join a trade union; however, their concept of the union's role is to advance and protect the interests of its members by helping to reconcile conflicts without resorting to actions that would be damaging to the company and to its employees. In short, the Japanese model is based on the principle of a mutually advantageous partnership between the company, its employees and, if they wish to have one, their trade unions.

The Japanese seek to make this mutual-interest nonsectarian model effective by requiring a common workdress, by sharing common social facilities such as dining rooms and parking lots, and by company-provided welfare provisions. They attempt to involve all employees in a web of problem-solving and decisionmaking processes that extend formally and informally through company councils, quality circles and other consultative devices to tap into intelligence and experience at different levels of work responsibility. Profit-sharing bonuses link the success or failure of the enterprise to the earnings of the individual employee. Final settlement on issues in dispute is settled by final offer arbitration without industrial action.

None of these features are entirely novel to British companies as a means of encouraging the loyalty of employees and rewarding their contribution. But few companies (except nonunion) have developed a total approach that incorporates all of them, together with union recognition.

To the surprise of many skeptics, studies of Japanese companies in Britain show that British employees rapidly feel comfortable in an environment in which they are expected to abandon patterns of adversarial sectarian behavior in favor of a more cooperative system. Perhaps even more surprising has been the enthusiastic acceptance of the Japanese model by the Electric, Electronic, Technical and Plumbing Trade Union (EETPU). This can probably be explained by the union's long, bitter struggle (made by the predecessors of its present leadership) to wrest control of the union from the Communist Party, and by the need to formulate an alternative to the Marxist philosophy that continues to be a major influence on union behavior in Britain.

The Japanese model, accepted by the EETPU as the relevant model for unions in the future, clearly conflicts with the emphasis placed by militant trade unionists in Britain on "supremacy of the sectarian interest," "free collective bargaining," "unrestricted right to strike," and denial of the "right of management to manage." Acceptance of the Japanese model of industrial relations is an anathema to those who see trade unions as an expression of class conflict and a historic means of defending the interests of workers against those of the enterprise and by so doing achieving the overthrow of the capitalist system. This belief is shared by a great number of British trade union leaders and is mitigated only by the support they can secure from their members.

Considerable opposition to single union strike-free agreements has been manifested in the Trades Union Congress (TUC), led by Marxist-inspired opponents, and attempts to expel the EETPU have come close to succeeding. However, support for this type of agreement appears to be growing. At least three or four other unions have indicated a readiness to negotiate such agreements on the pragmatic grounds expressed by Gavin Laird, general secretary of the Amalgamated Engineering Union (AEU): "If, in the final analysis, we are faced with the situation when the employer says to us the only condition on which we will give you a single union agreement, or indeed recognition at all, is with pendulum arbitration—it's that or nothing—then we will take the arbitration, much as we dislike it." These blunt words were in reply to critics of the AEU's decision to accept an offer from NISSAN to enter into a single union agreement, which the two large general unions—Transport & General Workers' Union (TGWU) and General, Municipal & Boilermakers' Union (GMB)—also sought.

The EETPU, in fact, is going far beyond a pragmatic response—it is advancing a philosophy of trade unionism based on providing a service to its members in terms of their individual needs rather than on acting as a collective bargaining agent in a system of conflict between unions and

employers and the state. The union is cooperating with employers to obtain for its members good conditions of secure employment and opportunities for self-development in an environment in which employees are treated as important in their own right and are expected to participate effectively in appropriate levels of decisionmaking. The EETPU now offers advanced training facilities so that its members can realize their full potential in a competitive labor market in which skill commands a premium. The union is also providing legal, health, investment, and personal advisory services that its members require as citizens in a complex nonsocialist cash-nexus society. Above all, problems of pay and conditions of employment are solved together with other workers and managers by rational discussion and third party arbitration rather than by a power struggle involving damaging work stoppages and subordination of their interests to the achievement of an ideology of collectivism alien to their welfare. Other unions such as AEU and GMB seem to be slowly moving in a similar direction.

The extension and consolidation of a new model are likely to depend on the readiness and ability of employers to adopt and pursue vigorously principles that promote constructive and consensual industrial relations. This will be achieved only if company boards make it a prime objective; they must ensure that all managers understand and accept the principles of a model that encourages dialogue, positive interaction and mutual responsibility for beneficial results for the company and those with a stake in its success.

The unions' response will depend on how their leaders at all levels accept the changes implicit in the new model that are inevitable in such structures and in their own role. In the longer term, multiunionism must give way to a more rational structure, as unions themselves have recognized in numerous inquiries the TUC has carried out. The rules adopted by the TUC to prevent interunion competition are not the answer because they give protection indefinitely to unions with established bargaining rights. At present the TUC will accept a single union agreement as legitimate only if it is made with an employer who has opened a new plant where no union has previously been recognized—a so-called green field site. What is required is a method that would enable employers to negotiate single union agreements on nongreen field sites, where a multiplicity of unions enjoy bargaining rights. A new model of the Japanese type also means that unions will no longer need or want to exercise the direct action type of negative influence over management, as they have in the past. There is no reason why unions should not continue to provide effective assistance for their members as service agencies and, most important, through participative processes to bring positive

pressure to bear on managements that are not performing adequately and equitably in the interests of employees and the nation as a whole, as unions do in Germany and Japan. Reorientation of union functions in this direction would, in some respects, be a return to their original friendly society role.

THE PROBLEM OF THE PUBLIC SECTOR

The thrust of the preceding argument has been that the pattern of industrial relations in Britain's private sector is undergoing a positive change that is unlikely to be completely reversed. This is not necessarily the case in the public sector, where resistance to change, mutual distrust, bitterness, and conflict seem to be more evident.

The public sector, like the private sector, is undergoing major change. In the central government services sector, as the number of employed has been reduced or as increases have been resisted, the government has insisted upon greater efficiency and heavier work loads. Pay raises in the public sector have been kept in check so that such increases could not be used to justify pay raises in the private sector; at the same time, however, the government has sought major reforms in the machinery for pay determination. New systems are not yet fully in place, as the unions in the civil service, education and health service have resisted aspects of proposed changes. In what inevitably has been a period of instability, unions have become a cockpit of struggle between moderates and militants. It is significant in this period of bitter conflict that the two largest and most militant unions in the educational sector are losing membership to a professional association that has no strike clause in its constitution. A similar development is occurring in the health service where the Royal College of Nursing, which is constitutionally prevented from taking strike action, is growing at the expense of the more militant trade union.

In the health service, the government has established a new pay review body for nurses, but it has not yet replaced the civil service arbitration tribunal responsible for resolving disputes by third party intervention as an alternative to work stoppages. The government has indicated its opposition to unions taking strike action in essential services and opened discussion in a green paper on the possibility of legislation to provide procedures to prevent those stoppages from taking place; however, no changes in the law have yet been proposed.

Many countries have such procedures, but the government has been reluctant to create new standing bodies to replace those it has disbanded or to extend them to sectors of employment where they do not exist. This

reluctance is based primarily on the evidence that all such standing groups tend to become client friendly; it is difficult to devise a system that will ensure that the taxpayers' interest is safeguarded.

So long as there are massive state provided and funded services, it has to be accepted that final responsibility for conditions and service must largely lie with Ministers and Parliament, though modulated by independent review boards and other mediation and arbitral bodies. The more that these services are decentralized and privatized and made responsible to market principles, the greater the possibility of breaking free from the syndrome of big, bureaucratic institutions being confronted by big, bureaucratic unions. To bring this about, what is ideally needed is positive government and union cooperation. If union cooperation cannot be achieved, the initiatives must come from government and the pressures of public opinion.

So long as it is accepted that public employees have a fundamental right to join unions (except in the defense and security services), it is difficult to deprive them of the right to strike, unless there is extremely strong public support—as there seems to be in Germany, for example—for making strikes in essential services unlawful. Without strong public support for this step, the only alternative would seem to be the continuance of an independent third party organization to resolve issues in conflict. It would be in the public interest if all the unions in the essential public services—such as hospitals, fire and water services and nuclear plant control—would voluntarily give up their right to strike unless supported by 80 percent of their members. This may come about in the long run if public support for sectarian militant unionism in the public sector declines as it did in the winter of discontent and as it appears to be doing in the case of striking teachers.

It could be argued that, in the absence of a union voluntarily abstaining from strike action in the clearly defined essential services, there should be a provision in the contract of the employees concerned that collective notice of termination of employment would be unlawful and would render the employees giving such notice and the union to which they belong liable to heavy damages.

The difficulty in securing a less adversarial system of industrial relations in the public sector arises in part from the nature of the British political system. If the unions were not so closely identified with a socialist political ideology of public ownership and organically linked to a party that espouses this philosophy, the problem could more easily be resolved. The evolution of the British political system, with an extension of privatization and decentralization in administration, may provide a solution to the need to protect the public from the damaging effects of

strikes in vital public services, as have occurred in the past decade. These have owed a great deal to the influence that the hard left has exerted—under the umbrella of current union philosophies and public sector industrial relations models—as central and local governments have sought to bring about urgently required structural changes in the face of pressing economic and social issues.

It is not the primary purpose here to deal with the problems of the public sector, but they inevitably overlap those of the private sector. Developments such as privatization are likely to have a positive effect. Other developments, such as the decentralization of large-scale units of administration in the health service and education and local authority services, are likely to bring beneficial results. However, they may pose problems for some time that possibly cannot be resolved without further conflict. Important lessons may be learned from the private sector in developing a new model of cooperation rather than of conflict in industrial relations in the public services.

CONCLUSIONS

There can be no doubt that the British system of industrial relations is in the process of significant revision. This has been brought about by a combination of economic, technological and political factors that have had a major impact on the structure of employment; they have radically altered the laws regulating the government of trade unions and the collective bargaining process; and they have induced a significant change in the attitudes of managers and other workers toward mutual obligations.

A consequence of these changes has been a substantial decline in the membership of trade unions and their bargaining power; with this decline has come an increasing questioning of the unions' classic adversarial role and their ideological commitments to a socialist form of society and their affiliation to the Labour Party. But, as the results of the ballots on the maintenance of political funds have shown, a clear majority of workers continue to accept the exercise of political pressure as a rightful and necessary aspect of union activities. However, individual trade unionist's votes played an important part in giving Mrs. Thatcher a mandate to take Britain's political and economic structure away from corporatism toward a more decentralized, privatized system.

Employers in the private sector have had to respond to these same economic, technological and political forces. In making the structural adjustments to survive recession, global competition and the need to adapt to new technology, they have been compelled, or persuaded, to introduce new approaches to employment relations. Foreign companies

in particular have pioneered innovations, especially when establishing new plants on green field sites.

Most larger British companies have sought to develop more open styles of management and to move away from old models of conflict and authoritarian practices. Social divisions have been softened by policies designed to promote a sense of common interest and joint endeavor to meet competition and seize opportunities that would ensure further profits and jobs. These developments have been cautiously pragmatic; old suspicions remain strong—they are deeply rooted in experience and cannot be eroded in a decade.

Some would dispute that little more has happened in the 1980s than desperate concessions by unions and managers made primarily with the aim to survive. There may be a good deal of truth in this view, but whatever the motivation, the old mold, even if it has not been completely broken, has been severely dented and slowly battered into a new shape; it is unlikely to be pushed back into its old form.

It is increasingly the opinion of managers, union leaders, industrial journalists, and academic students of industrial relations that the 1980s are a watershed and that a new pattern of industrial relations is emerging not only in Britain but in most advanced industrial countries. This does not mean that every system of employment relations is changing entirely in the same way. Each national system has its own peculiarities arising from the unique features in its history, but each system is also influenced by forces that are regional and global. The mobility of capital and labor, the participation of employers, unions and governments in international institutions, and the influence of a universal system of communications constantly focus attention on the way things are done and how issues are resolved in other countries.

Britain is not about to create a utopian system of industrial relations borrowed from somewhere else or of its own creation, not even one in which all the faults of the classical model are eliminated. Collective bargaining will remain a basic feature, but relations between workers and managers in a large part of the private sector have greatly improved, and it is likely they will continue improving. There is a real possibility that more unions will break free from the shackles of outdated ideologies and structural rigidities. This need has been made more urgent by the continued erosion of union membership. If unions fail to adopt realistic objectives, positive methods and rational structures that will enable them to play a more constructive and effective role, their decline may go much further, as has happened in the United States and France.

It is significant that some of Britain's most important unions have reached a stage where they recognize the need to change their old com-

mitments in order to survive and play a positive role. The EETPU, which took the initiative to break with the old model, has been joined by the AEU and the GMB, who have signaled their readiness to consider new objectives and new practices. These three are making efforts to broaden the range of services they offer members; to organize peripheral workers they virtually ignored in the past; to seek a more participative role for members; and to consider methods other than strikes as a means of resolving conflicts. These unions have also been ready to negotiate single union agreements, which many employers regard as the greatest step forward that unions can make.

The TUC is seriously concerned about the continued decline in union membership and the failure to attract new recruits in the expanding areas of employment. However, it is constrained in finding a new way to help affiliated unions make more effective efforts to overcome this situation by their vested interests in existing organizational patterns. It has been suggested that the General Council be given power to designate areas of responsibility to particular unions, but only if they undertake not to agree on any limitations to the traditional bargaining rights that unions have enjoyed in the past. This somewhat timid proposal, which could well be adopted by the TUC, may be a significant, though limited, step opening the way to the development of more single union agreements. EETPU's leader has criticized it as no more than "tinkering" and likely to give "big unions" the right to veto the type of single union, single status, strike free, participative agreements pioneered by the EETPU.

Unless the majority of unions can be persuaded of the general need to develop single union agreements that incorporate a revision of the traditional adversarial processes of industrial relations, it is doubtful they will recover their previous support.

If the unions fail to put their house in order, employers, whose support is vital to union survival, will increasingly show less respect for their interests. Under pressure from technological, market and social changes, employers will be more and more inclined to introduce patterns of communication and decisionmaking that serve the needs of managers and employees despite any union reluctance to cooperate.

Recent developments have placed the unions in a difficult position. The split between those who cling to traditional beliefs and those who accept the need for radical change may not be mended easily. The unions may face a long period of agonizing internal struggle. This type of situation has confronted unions before, however, and they have survived to recover their strength. But there is no law of history that makes this course of events inevitable; if they fail to come to terms with the changing environment, nonunionism is likely to grow as in the United States.

A Canadian Perspective on a New Era in Industrial Relations

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The deep recession in 1981–83 and the increase in world competition in the subsequent recovery have focused attention on the ability of private sector firms, particularly in manufacturing, to retain their traditional market shares. There has been a variety of responses to the enhanced competition, including efforts to innovate and efforts to cut costs. These responses, and especially those relating to labor costs, involve industrial relations. The question being asked is whether we have entered a new era in industrial relations.

To answer this we have to examine what we mean by a "new era." In earlier discussions of the British-North American Committee, it was suggested that the answer hinges on the extent to which labor and management have shifted from a traditional adversarial mode to a more cooperative one. In the Canadian industrial relations situation, the question is more accurately whether we have added more cooperation to our essentially adversarial system. The Canadian system remains adversarial; the challenge is to enhance the basis for as much cooperation as possible within this context.

The discussion here of the recent developments in Canada will focus on three questions.

- What innovations have occurred in industrial relations?
- What brought these innovations about?
- Are they likely to continue?

The term "innovation" includes not only developments on the shop floor but also changes in labor legislation that have the potential to foster more cooperative arrangements between labor and management. To set the three questions in context, it is useful to examine the background factors unique to Canada and those common to the United States, the United Kingdom and Canada; identifying the implications of these factors for possible innovations in Canadian industrial relations is also helpful.

BACKGROUND FACTORS

Five factors that are unique to the context of Canadian industrial relations are briefly discussed.[1]

- Like Britain, but unlike the United States, Canada has a parliamentary system that permits viable third and even fourth political parties. Since the 1930s Canada has had social democratic/socialist types of parties that have identified strongly with organized labor (Cooperative Commonwealth Federation, New Democratic Party, Parti Quebecois).
- The Wagner Act, introduced in the United States in 1935, provided a mechanism for recognition of unions, and the exclusive representation by unions of employees in a designated bargaining unit, which required bargaining in good faith. Labor legislation in Canada since the Second World War has followed the principles of the Wagner Act. But unlike the American system, the Canadian legislation was built onto an earlier (1907) approach of tripartism, whereby there was a compulsory stoppage of a strike while a tripartite committee (labor representative, management representative and neutral chairman) reported on the cause of the dispute and made a recommendation for a solution.
- Labor jurisdiction in Canada is decentralized. The provinces are responsible for approximately 90 percent of employees in Canada and the federal government for only 10 percent. Since social democratic parties have held power or have been the official opposition in 6 of the 10 provinces, from Quebec west to British Columbia, a kind of interprovincial competition—or at least interprovincial comparisons of development in labor legislation—has existed.
- Not only in the early labor legislation but in all phases of Canadian economic life, the government has played a role in the country's economic development through the acceptance of a mixed enterprise economy. This role has perhaps had an effect on the implementation of labor legislation because of the government's direct responsibility for labor matters in crown corporations.
- Distinct from both the United States and the United Kingdom, the percentage of workers organized (union density rate) in Canada has risen over the past 20 years to almost 40 percent. Approximately one-half of the nonagricultural paid workers in Canada are covered by collective agreements. While the unionization rate is slightly under that of the

1. Noah M. Meltz, "Labour Movements in Canada and the United States," in *Challenges and Choices for American Labor*, ed. Thomas A. Kochan (Cambridge, Mass.: MIT Press, 1985), pp. 315-334.

United Kingdom, it is double the rate in the United States. Twenty years ago both Canada and the United States had the same union density rate.

Four background factors common to the economies of the three countries are cited here that are particularly relevant to innovations in industrial relations, although clearly there are other common factors as well.

- There has been a continuing shift in the structure of employment away from manufacturing toward service industries, particularly finance, trade, health and education, personal services, and, to a lesser extent, government.[2]

This trend is the result of the faster growth in productivity in manufacturing (and agriculture) than in the service sectors; the lower cost of providing some services such as cleaning, catering and specialized finance; and the spending of an increased portion of the rise in living standards on health and other services.

- The labor force has been transformed by the dramatic increase in female participation. In Canada 55 percent of working-age women constitute 43 percent of all workers.
- The education levels of persons in the labor force have also gone up dramatically as universities and community colleges graduate increasing numbers.
- There has been significant growth in foreign competition for manufactured products.

IMPLICATIONS OF THESE BACKGROUND FACTORS

Four implications for the industrial relations context in Canada can be drawn from the background factors.

- As Peter Drucker observed in *The Effective Executive:* "The knowledge worker . . . is rapidly becoming the major resource of the developed countries. He [or she] is becoming the major investment; for education is the most expensive investment of them all. To make the knowledge worker productive is the specific economic need of an industrially developed society."[3]
- The high rate of union organization in Canada and the coverage by collective agreements of almost 50 percent of paid workers suggest that

2. David Foot and Noah M. Meltz, "Canadian Occupational Projections: An Analysis of the Economic Determinants, 1961-1981," *Employment and Immigration Canada* (1985).
3. Peter F. Drucker, *The Effective Executive* (New York: Harper Colophon Books, 1985).

the adversarial system is likely to continue. Even professional workers are organizing (e.g., engineers at Ontario Hydro), and medical doctors in Ontario were on strike for over three weeks in the summer of 1986.

- The desire for continuing increases in the standard of living, together with increased foreign competition, requires joint efforts by employers and employees to raise total factor productivity. If we want real incomes to grow, the economy has to grow. One way of assisting this development is to add cooperation to our adversarial system. With one-half the workforce covered by collective agreements, the addition of cooperative components is an important challenge to the Canadian industrial relations system. The cooperation would need to be designed to enhance both efficiency and equity in the workplace.[4]
- Given the history of legislation and the evolution of institutions in Canada, additional efforts at cooperation are likely to include government, either as legislator, facilitator or partner.

FOUR INDUSTRIAL RELATIONS INNOVATIONS

As noted earlier, in discussing innovations it is important to include developments on the shop floor and changes in labor legislation that foster more cooperative labor-management arrangements, whether the cooperation is willing or otherwise. Four types of innovations in a Canadian context will be discussed, as well as the factors that brought them about and the likelihood of their continuing. The four types are: pay equity legislation, first contract arbitration, increases in flexibility in negotiated job classifications and work rules, and the growth of forums for labor-management consultation. The inclusion of legislation may seem to define industrial relations innovations very broadly. Because the system is likely to remain essentially adversarial, the discussion covers legislation that is likely to enhance cooperation, even if the cooperation is not voluntary.

(1) Pay Equity

While several Canadian jurisdictions (federal, Quebec, Manitoba) have legislation relating to equal pay for work of equal value, the legislation deals with only the public sector. The recently introduced Pay Equity Act, 1987,* for Ontario applies to what is termed the broader

4. Noah M. Meltz, "Industrial Relations: Balancing Equity and Efficiency," in *Theories of Comparative Industrial Relations*, ed. Jack Barbash (University of South Carolina Press, forthcoming).

*The Pay Equity Act became effective on January 1, 1988.

public sectors and to the private sector as well. The industrial relations innovation in the legislation is the requirement that the employer and the bargaining agent for the employees in a bargaining unit negotiate the pay equity plan for that unit. If there is no union, individual employees have the right to submit comments to the employer and the right to file objections with the Pay Equity Commission. This legislation requires consultation with employees whether organized or not, as does the Ontario Occupational Health and Safety Act. OHSA requires a formal committee, but the pay equity plan does not.

The pay equity legislation continues the trend of requiring consultation and of hoped-for cooperation between organized labor and management. Do these attempts to legislate cooperation enhance relations between labor and management, or do they widen the gap? Research is needed on past experience and the possible implications of this aspect of pay equity consultation.

The Ontario pay equity legislation originated during the election campaign in the spring of 1985. The Liberals included a proposal for pay equity legislation in their campaign, and the Liberal minority government was assured at least two years of existence through an accord with the New Democratic Party, also committed to pay equity. Presumably the increase in female labor force participation and the political situation combined to bring this issue to the fore. Pay equity legislation is likely to continue to receive support for those same reasons. It is also likely that the requirement to consult or negotiate with unions—as in this act, in health and safety and in other legislation (e.g., worksharing)—will be an increasingly influential factor in the workplace. The trend in Canadian legislation seems to be toward more formal consultations with unions and, to a lesser extent, with nonunion employees.

(2) First Contract Arbitration

Five jurisdictions (British Columbia, Manitoba, Quebec, federal, and Ontario) now provide for first contract arbitration when a union and an employer cannot agree on a first contract. The issue became the subject of debate in the legislatures of all these jurisdictions; Ontario was the most recent to introduce it. High profile first contract negotiation strikes, such as the bitter Radio Shack and Eaton's strikes where the public perceived management obstinacy and perhaps outright unfair practices, brought the issue into the legislature.

This legislation is included among the innovations because research suggests that it tends to force labor and management to reach an accommodation, often in advance of actual arbitration. This was the intent of

the legislation, according to Paul Weiler who, as chairman of the British Columbia labor relations board in the mid-1970s, was responsible for implementing the first such legislation in Canada.[5] A recent study by Solomon looked at the experience under the federal legislation.[6] A complete assessment of the impact of first contract arbitration in Quebec, Manitoba and Ontario is necessary before we can determine if the legislation generally encourages an accommodation between management and labor.

Whether this legislation will be introduced by other provinces depends on the political climate and the types of labor-management confrontations. The tide appears to favor more such legislation.

(3) Increases in Job and Work Rule Flexibility

Despite a substantial degree of trade union representation, there seems to be an increase in the extent of changes in job classification and work rules. Although the results of an analysis of changes in contract provisions were not available at the time of writing, there are examples of these arrangements. Perhaps the most prominent is the one for the new Suzuki motors plant. Because the pressures of competition are particularly important, the Canadian Auto Workers were sufficiently pragmatic to negotiate an arrangement incorporating work rule flexibility, allowing a modified Japanese-style arrangement.

Will there be many more of these arrangements? The answer depends on whether competitive pressures continue and whether both parties see benefits. My expectation is that a tacit form of cooperation within the adversarial relationship can be achieved if it is set in a win-win versus a win-lose approach.

(4) Growth of Forums for Direct Labor-Management Consultation

A number of forums for direct labor-management consultation exist in Canada, ranging from the national level—the Canadian Labour Market and Productivity Centre (CLMPC)—to individual plants—Quality of Working Life (QWL) programs. As noted earlier, there is a long tradition in Canada of tripartite arrangements. While some of the recent forums have had negative experiences, such as organized labor's with-

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5. Paul Weiler, *Reconcilable Differences* (Toronto: Carswell Company, 1980).
6. Norman A. Solomon, "The Negotiation of First Agreements under the Canada Labour Code: An Empirical Study," *Relations Industrielles* (Vol. 40, No. 3, 1985), pp. 458–470.

drawal from the Economic Council of Canada and from the Ontario government's Quality of Working Life Centre, there are still a number of forums for consultation. In 1976 the Canadian Labour Congress' (CLC) national convention passed a document advocating tripartite planning and consultation in Canada, but nothing came of this initiative.[7] Nevertheless, as Maital and Meltz found in their survey of labor and management leadership in Canada, almost one-half the labor officials surveyed were in favor of a broad social contract to fight inflation and unemployment.[8] Almost the same percentage of Canadian management favored a social contract, 38 percent versus 44 percent for Canadian labor. By contrast, only 10 percent of U.S. managers favored a social contract versus 63 percent of U.S. labor leaders.

At the firm level there have been a number of successes in introducing QWL programs, with perhaps the most noteworthy at the Shell Chemical Plant in Sarnia.[9]

On the other hand, there is some opposition to QWL programs, most notably by Canada's largest union, the 300,000-member Canadian Union of Public Employees (CUPE). A recent article by a CUPE researcher, published in their monthly newsletter, was entitled "The QWL Con Game."[10]

Which direction the Canadian labor movement will go on QWL is very uncertain. While some consultation is likely to continue, there are certainly elements in the trade union movement that do not like it.

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7. Although opponents of tripartism within the CLC offered resolutions at the 1978 biannual convention to discard the initiative, a composite resolution ". . . admitted that tripartism had failed, but avoided repudiating it as a long term goal." (See Anthony Giles, "The Canadian Labour Congress and Tripartism," *Relations Industrielles* [Vol. 37, No. 1, 1982], p. 120.)

8. Shlomo Maital and Noah M. Meltz, "Labour-Management Attitudes Toward a New Social Contract: A Comparison of Canada and the United States," in *Macroeconomic Conflict and Social Institutions*, eds. Shlomo Maital and Irwin Lipnowski (Cambridge, Mass.: Ballinger, 1985), pp. 193–206.

9. Norm Halpern, "Sociotechnical Systems Design: The Shell Sarnia Experience," in *Quality of Working Life: Contemporary Cases*, eds. J.B. Cunningham and T.H. White (Ottawa: Department of Labour, 1984); Don Nightingale, " 'Continuous Renewal,' Lessons from a QWL Project," in *Quality of Working Life: Contemporary Cases* (1984); Keith Newton, "Quality of Working Life in Canada: A Survey," in W. Craig Riddell, *Labour-Management Cooperation in Canada* (Toronto: University of Toronto Press, 1986); and Ontario Ministry of Labour, "Ontario Initiatives with Respect to Preventive Mediation and Quality of Working Life," *Labour-Management Cooperation in Canada* (1986).

10. Don Wells, "The QWL Con Game," *The Facts*, Canadian Union of Public Employees (Vol. 8, No. 5, September/October 1986).

Whether and how these elements can be neutralized is unclear. The case for mutual gains will have to be sold by the labor movement itself if there is to be progress in this crucial area. However, management will have to be perceived as a willing partner that recognizes the role of unions and the value of cooperation. Perhaps the result will depend on the perceived benefits from consultation in the larger forums.

CONCLUSIONS

Legislation in Canada is inducing labor and management to engage in certain types of consultation and cooperation, while other forums are available for some direct consultation. Canadian history and legislation (and the enforcement of the legislation) as well as the current strength of the labor movement suggest that the adversarial relationship will continue. The question is whether it can be enhanced with additional consultation and cooperation to deal with the issues facing an increasingly knowledge-worker society.

While the labor movement is showing that it can be pragmatic on some issues, including changes in work rules, it has mixed views on other issues such as QWL.

Consultation at the national and provincial levels may be a way to promote cooperation. A key may be the direction taken by the CLMPC, which was set up with high hopes (although there is now some uncertainty about its future course). A unique opportunity exists for a national forum, not to replace the adversarial system, but to build in more cooperation. One way to accomplish this would be for the CLMPC to establish provincial subcommittees that could discuss the most relevant issues in their jurisdictions. Perhaps having both national and provincial forums would allow the beginning of a long overdue dialogue and usher in a new era in industrial relations.

Case Study: United States Xerox Corporation - ACTWU

by Phillip E. Ray

Vice President, National Planning Association

Within the experience of the BNAC membership are numerous illustrations of how experiments meant initially merely to involve small groups of workers in decisions affecting their jobs can expand to influence a larger collective bargaining relationship. One of the better illustrations of this transformation involves the Xerox Corporation and the Amalgamated Clothing and Textile Workers' Union. The ACTWU represents a large, highly skilled blue collar bargaining unit located in Xerox's Rochester manufacturing facility. The company manufactures copiers and duplicators and employs a total workforce of about 6,000. In 1980 the company and union entered into an agreement to create a quality of work life (QWL) process that illustrates many of the themes developed by Professors Kochan, Roberts and Meltz. The Xerox-ACTWU innovation demonstrates the potential fit between this process and the larger economic, organizational and collective bargaining context within which it operates.

ECONOMIC SETTING

The Xerox-ACTWU relationship formally began in the late 1930s following a brief work stoppage. At that time the firm was a small manufacturer of a single product line. From the outset its labor-management relationship was strongly influenced by the philosophy of the firm's founder, who believed in maintaining cooperative and highly professional relationships between the union and the company. This commitment was passed on to his successors.

Capitalizing on a series of technological breakthroughs, Xerox enjoyed a strong profit and growth record throughout the 1950s and 1960s. The union was voluntarily recognized on the basis of card checks or uncontested representation elections in new plants in and beyond the Rochester area.

As a result of intensified domestic (nonunion) and foreign (Japanese) competition during the 1970s, the company's market share of its

major product line (office copiers) fell from over 90 percent to just under 50 percent. This decline continued at an even more rapid pace during the recession of the early 1980s. These mounting pressures led Xerox to make a number of changes in business strategy, including efforts to diversify its product line and to reduce manufacturing costs. In 1982 the company announced a reduction in its blue and white collar labor force of at least 30 percent. Thus, the QWL process was introduced two years before this major shift in business strategy but after nearly a decade of shrinking market share.

PARTICIPATION STRUCTURE

The joint program begun in 1980 had been preceded by relatively modest initiatives such as communication and job enrichment programs that had attempted to boost morale and productivity. The QWL program was initiated to "promote decisionmaking at lower levels, to identify and resolve work-related problems and to contribute to improving overall performance of the company." The process was launched by a provision negotiated in the parties' 1980 labor agreement that provided for a joint policy committee at the manufacturing division level to develop a quality of work life process. The agreement set out the basic goals and the rights of labor and management. The agreement's key points are: (1) QWL is a joint effort. The union is involved as an equal partner from planning to implementation and evaluation. (2) It is voluntary—for the union, for the company and for the individual worker. (3) Contract and grievance issues are off limits. (4) No worker can be laid off as a direct result of the ideas generated from the participation process. (5) The goals of the program include human considerations as well as economic efficiencies. The union is a full joint sponsor and sits with representatives of management in all steering and oversight committees.

It is important to note that the original idea for these provisions came from the chairman of the board of Xerox and signaled strong commitment from the firm's top level. The local union representatives and the company's industrial relations staff had together been examining the experiences of other companies and unions with various worker participation experiments prior to the beginning of formal negotiations. Although senior corporate officials and their union counterparts were highly supportive and worked together to implement the process, it was also clear that many middle managers and first-line supervisors as well as rank-and-file workers held mixed views. Early reaction to the process often depended on whether a worker chose to participate in a QWL team, on his or her specific experiences with the process and, most important, on his or her in-

terpretation of events that occurred at higher levels of the relationship.

To implement the process, coordinators or trainers were designated in the three participating plants in the Rochester facilities, with equal numbers from union and management. They underwent a three-week training program to learn the techniques of teaching employee involvement and problem-solving. An advisory committee was then established for each plant. These committees included the union shop floor representatives who received special training in the QWL process. The plant advisory committees were charged with the responsibility of providing support and counsel to the QWL process within each plant. Joint orientation and information sessions with workers and supervisors were convened department by department. After this lengthy and participative introductory phase, volunteers were asked to serve on the QWL teams that would be formally established, and they were given extensive training and assigned to teams.

The teams consisted of seven to nine workers, including one supervisor and one engineer for technical support. Each team was trained for a total of 40 hours over a 10-week period. During this training the teams selected real problems to work on.

After only 18 months, 130 teams were operating at Xerox in different environments, including research and development, maintenance, distribution, and office personnel. At the top of the structure was the planning and policy committee, which consisted of 4 union officers and 4 management representatives, including the vice president of manufacturing, the manager of personnel and the manager of QWL services. This committee met approximately every four to six weeks and was responsible for establishing broad guidelines and policies for the QWL process. The plant advisory committees, made up of 10 union and 10 management representatives, were responsible for developing plans for implementing the process, monitoring its progress and coordinating its activities with other developments in the plant.

The basic unit of the QWL process was the work site team. Each team consisted of six to eight employees from the same work area who participated voluntarily. The team met for approximately one hour each week to discuss problems and the status of improvements that had been suggested at previous meetings.

The team was restricted from making changes that conflicted with provisions in the collective bargaining agreement. The team's function was to design a new structure more resilient and better suited to present and future economic environments. It was not to replace the old collective bargaining structure, but to provide a superstructure that would allow the existing arrangement to begin to serve new requirements more effectively.

The efforts of these teams were supported by five full-time union and eight full-time management QWL coordinators who provided technical assistance and helped to train the teams. Each coordinator agreed to remain in the position for at least two years. In addition, a full-time manager monitored the overall program for the corporation.

THE PROCESS AT WORK

An early test of the QWL program came in the spring of 1982 when the union and company established a wire harness QWL team. Management had concluded that it needed to subcontract the production and assembly of wiring harnesses, a labor-intensive division of the plant.

At this point nearly one of four employees in the bargaining unit had been trained in QWL procedures and had participated at one time on a team. The situation was complicated by layoffs that were disrupting many established teams and causing trained employees to be bumped into jobs where no teams existed.

The wire harness team's challenge was simple but quite formidable: to find ways to reduce costs by $3.2 million annually or face having the work subcontracted. (This figure represented the estimated savings of contracting the work to outside vendors.) The team's task was to investigate all aspects of the problem—direct labor, overhead and equipment.

In a matter of months, the team produced a series of recommendations for changing work organization, including how jobs were assigned, how work was scheduled, transfers into and out of the work area, use of part-timers to buffer volume surges, and responsibilities of production and maintenance jobs. Many of these recommendations were implemented immediately. Some, however, violated key principles of the original provision governing the QWL process, namely that no team or group could modify the terms and conditions of the collective bargaining agreement. Moreover, other recommendations, again exceeding the team's authority, threatened management in their recommendations to change accounting charges for overhead, to reduce the number of supervisors and to alter the plant's layout. These, as well as any recommendations inconsistent with the collective bargaining agreement, were deferred until the next round of negotiations.

The parties recognized that the QWL process had reached a critical point. Significant resistance by mid-level managers and first-line supervisors as well as rank and filers, combined with a large number of layoffs, had eroded support for the QWL process. The workers involved in the process were beginning to question whether they would ever share in the increased productivity and savings they had expected to flow from the

process, and no quantitative data on cost savings had been collected. In addition, some workers felt increasingly that continued productivity improvements would lead to further reductions in employment, undermining job security. They did not believe that the reductions would be offset by the increases in employment expected to flow from improved cost competitiveness.

Headed into bargaining, the union leaders realized that some form of income and/or employment security would have to be negotiated to boost support for the endangered QWL process. Management came to the negotiations buttressed by the wire harness team's estimated savings to the company of $3.6 million annually. Management viewed the negotiations as critical to its larger strategy of reducing manufacturing costs and introducing similar workplace reforms in other areas.

Both parties recognized the difficulty presented by the wire harness team's experiment. No matter how explicitly the contract language governing the QWL process stated that nothing in the process would alter the provisions of the collective bargaining agreement, it was clear that the team's explorations—for work organization alternatives, cost reduction and productivity increases—were likely to lead them directly into labor contract territory. This did not mean, however, that solutions could not be identified that would preserve both the collective bargaining agreement and the bargaining process without frustrating the change process. The key to success was union and management recognition that they must negotiate the issues that involved contract language.

INTEGRATION OF THE QWL PROCESS AND COLLECTIVE BARGAINING

The 1983 round of bargaining was conducted against the backdrop of a major recession and concession bargaining and wage deferrals in other industries. In addition, Xerox was in transition to a new business strategy of competing on the basis of price for the first time in its history. This, in turn, promoted a shift in the distribution of power within top managerial circles to cost-conscious managers. As a result the industrial relations and personnel staffs lost much of their previous control over the planning and strategy of labor negotiations. Finally, these changes were occurring at the same time that the firm was pursuing the decision to reduce permanently its blue and white collar labor force by over 30 percent, with the heaviest reductions in the manufacturing facilities where the QWL process was in place.

These unsettling influences did not create a problem-solving atmosphere at the bargaining table. Some union representatives felt that the

company was hypocritical to preach the values of QWL and simultaneously call for major concessions in the areas of subcontracting, job transfers and promotions. The ACTWU adopted a two-pronged strategy in the negotiations. First, it stressed its cooperation in developing and sustaining the QWL process and its desire to maintain and strengthen that process. Second, it emphasized that the new agreement would have to provide for job security and for sharing the gains of the QWL process if the process were to be sustained through a second contract.

As a result of the negotiations, the company was allowed to implement the remaining recommendations of the wire harness team and to use the same approach in other work units identified as potential candidates for subcontracting. The new agreement also contained important changes designed to control health care costs and absenteeism. In return, the union was guaranteed no layoffs for the existing workforce in those facilities for the three-year term of the agreement. The parties agreed to continue the QWL process with no significant changes in the language governing it.

Eighteen months into the new agreement, four new task force teams had been formed. They made suggestions that required modification of contract provisions and involved managerial policies normally outside their jurisdiction. More important, only one team failed to make recommendations sufficient to reduce costs to the level of outside vendors.

Although the new 1983 agreement was a major step toward integrating the QWL process with that of collective bargaining, there were several setbacks. After the results of the new agreement began to be felt by the rank and file, volunteers for QWL training became harder to find. Subsequently, the company made the training mandatory for hourly employees. After three and one-half years, the QWL program had spread to only about 30 percent of the hourly workforce, who often did no more than attend a weekly quality circle session to discuss a limited agenda of issues. Simultaneously, a variety of other participation and work restructuring activities were started by employee groups determined to tailor the process to their specific needs. Moreover, the absenteeism and health care policy changes introduced in the contract generated strong rank-and-file opposition.

Despite these setbacks, the union had gained the job security guarantee for the term of the agreement, which clearly demonstrated the company's commitment to the process and to the workforce. Both management and union representatives had recognized the fragility of the QWL process and of the rank-and-file commitment to it. However, they remained dedicated to the process and optimistic about its prospects. They had successfully achieved the first step of institutionalizing an innovation into their ongoing relationship.

XEROX-ACTWU SUMMARY AND NEXT STEPS

The Xerox-ACTWU relationship illustrates how a narrowly focused agreement to experiment with a QWL process evolved in the face of changing economic circumstances. From an initiative to improve the quality of work life of individual workers, the agreement became an integral element of each party's strategy—addressing the firm's basic economic problems and promoting the union membership's job security concerns. The QWL process survived its first severe test in part because the parties responded successfully to the job security concerns that had caused worker support to decline. Equally important was the high level of trust built up over the years between company executives and union leaders.

Union and some management officials appeared to recognize that the next step in institutionalizing the experiment would require some form of sharing the cost savings or productivity gains achieved from the QWL process. During bargaining in 1986, the parties agreed to design a pilot gainsharing program. Both union and management state that the program and the cooperation and trust it has generated must be supported in the long term by business strategies and collective bargaining results that reward rather than inhibit employee trust and commitment.

In summary, the Xerox-ACTWU experience illustrates the complicated interweaving of quality of work life initiatives, collective bargaining and strategic decisionmaking. The experience also shows the pressures exerted on employers facing severe cost competition to expand QWL-type processes to address productivity improvement opportunities through work reorganization.

Case Study: United Kingdom Vickers PLC - Employee Communication

by Glyn Hughes

Corporate Personnel Executive, Vickers PLC

The engineering industry in the United Kingdom has reflected many of the traditional attitudes and industrial relations environments noted by Professors Kochan, Roberts and Meltz. As a major exporting industry, it has needed to develop more positive and active cooperation in work-force-management relationships to face the competitive challenges in the 1980s.

For a large part of the engineering industry, collective bargaining arrangements have a long-standing framework provided by the national agreements between the Engineering Employers' Federation (EEF) and the Confederation of Shipbuilding and Engineering Unions (CSEU), concluded jointly with the unions representing manual workers and separately with the individual unions representing nonmanual staff grades. A multiplicity of craft-based unions (recently the subject of many mergers) makes up the confederation for manual workers, and individual staff unions represent the different occupational grades of nonmanuals. There are also differences in employment terms and conditions between manual and nonmanual employees.

Over a long period the industry has maintained a dual system of collective bargaining. The national agreements for manual workers, covering basic pay rates, terms and conditions, union recognition, and procedural arrangements, are negotiated with the national trade union officials. The domestic (local) plant arrangements, covering actual pay, working arrangements and so on, are negotiated between individual employers and plant shop stewards. Domestic plant bargaining has often featured a variety of additional joint union-management groups that are frequently concerned with production issues. The domestic plant arrangements for nonmanuals deal with pay and the main employment benefits, while the national agreements for nonmanuals cover a narrower range of issues.

The development and dominance of the domestic shop steward in employer-union relationships have resulted in his/her becoming the main channel of communication and consultation between management and the workforce, often bypassing the middle and supervisory management

levels. Such communications most frequently concern negotiable issues. In practice this means that the workforce as a whole has not been involved or well informed on many issues affecting the business.

Many of these features of the engineering industry were present in the businesses comprising Vickers PLC. This case history describes the company's initiative to develop wider employee involvement—through a system of regular communication—in each of its businesses where the responsibility for industrial relations rests with the operating management.

The initiative was based on the recognition that it is the managers' function to communicate and that good working relations are more likely to develop when the workforce is well informed about business progress and performance. It required a commitment from managers and a reestablishment of their responsibility for their own workforce teams; at the same time, the initiative retained the role of the trade unions in representing their members among the workforce.

BACKGROUND

The merger of Vickers and Rolls Royce Motor Cars in 1980 brought together two famous names with a long and distinguished history in engineering and a combined portfolio of some 30 different businesses whose workforce totaled over 31,000. By 1985 the portfolio had been totally restructured into six main-core businesses: motor cars, marine engineering, medical and scientific instruments, armored fighting vehicles, lithographic printing plates, and office furniture. Activities were continued in machine tools, printing and packaging machinery, and a specialist design and projects division. There were now 20 businesses with a total workforce of less than one-half the number employed in 1980.

Several national and international recessions occurred during that five-year period. To achieve its 1985 position, the company sold some of its major businesses whose future was better secured under ownership allied to their particular industrial sector. The company also instituted the total restructuring, product rationalization, works closure, and slimming down of other businesses to retain competitiveness. At the same time, the acquisition of, investment in and reequipment of new facilities continued as part of the planned development of the core businesses and their international competitiveness. There was also a wide range of changes in local working arrangements. It is noteworthy that during this period of major restructuring, which affected all the company's businesses and all its employees from the main board of directors to the shop floor, no significant disruption occurred in Vickers' operations.

MANAGEMENT'S APPROACH TO CHANGE

A major objective of the company was—and continues to be—the active involvement of all employees. The company regarded participation as a key to the employees' well-being and to that of the businesses employing them. Implementing this strategy affected many aspects of the company's operations. To achieve such involvement meant developing good relationships and an understanding of the common purpose so that employees could function within a constructive working environment; setting up an effective two-way communication system covering all levels, with procedures for consultation on matters directly concerning the employees; and progressively removing the differences and differentials between employees that were nonessential to the nature of their jobs.

Good communication was the program's foundation, and it was emphasized in a period when uncertainty, rumor and insecurity could easily arise. If employees were to understand what needed to be done, how they were affected and the importance of cooperation, knowledge of the facts of a situation was essential.

The System of Communication

The strong commitment to employee involvement was translated into action in 1980 when all units were given a target of two years to introduce a system of team briefing. Team briefing is a procedure by which all employees are informed of the performance, prospects and opportunities of the business, including the order book and relevant financial data; of other matters likely to affect the business; of administrative changes (e.g., in personnel); and particularly of the domestic affairs and performance of their own department. Face-to-face briefings by the leader of the team at each level, from the unit managing director down, are the key to the system. The leader is the communicator, and the employees have an opportunity to question and discuss the subject in the brief.

Training is provided to all "briefers." In practice they use common business briefs from their immediate superiors, adding their own departmental matters to brief their teams. Regular briefings are important and are conducted monthly; they are necessarily short and to the point, taking about 20–30 minutes of work time. Other means are used to convey more general news in greater depth. Special briefs on urgent issues may be used at short notice. The summary in Appendix A of the different methods used at Rolls Royce Motor Cars provides a good illustration of a total employee communication system. Appendix B shows

some of the briefing structure at Brown Brothers & Company. Appendix C is an example of a management brief at another business, Stone Vickers.

Most of the businesses are substantially unionized below management levels. The introduction of team briefing with its emphasis on management's responsibility for communication has not been opposed by most of the recognized trade unions. Care has been taken to respect the established procedures of the unions and their roles in representing and negotiating on behalf of their members.

The national officials of the main trade unions are annually briefed at the corporate level on the company's performance and prospects, which are also provided to external stockbrokers and investment advisers.

Good employee communication and team briefings are vital in industrial life. Internally, the aim is that employees should first learn of matters affecting them from their manager or supervisor. At the corporate level, employees should be informed of matters such as annual and half yearly financial results concurrent with their announcement to the stock exchange and the press. These should be followed up by video presentations to all units during working time, by more detailed team briefings and by reports in the company's monthly newspaper. Whether the news is good or bad, changes affecting the businesses need to be shared. Open and regular communication helps to build confidence and credibility in management as well as counteracts rumor and misconception.

RESULTS OF THE INITIATIVE

Vickers has undergone radical change, as outlined earlier. Did its commitment to employee involvement and good communication play a major part in achieving its reorganization without significant conflict? If so, is this strategy still working, and what are the benefits?

The effectiveness of the communication system continues to be monitored in a number of ways. The system at each establishment is regularly checked by the local management coordinator responsible for team briefing. The company's chief executive, during visits to the operating units, questions employees about how the system is working. Similar checks are made on other parts of the communication program, such as readership of the company newspaper.

A full, independent audit of the company's whole system was carried out by the Industrial Society in 1984, including personal interviews with a 10–15 percent sample of employees at all levels. The results of that audit were made available within each unit. Their final report concludes:

1. Team briefing is working throughout Vickers.
2. The results of team briefing are clearly showing by now in most companies.
   (a) In a number of companies employees remarked that "before briefing, there was nothing to give us information."
   (b) There is a new understanding of the realities of business on the shop floor. People know how the company is doing and in most cases the management message has gained a great deal of credibility through briefing.
   (c) One company felt that briefing has played an important part in turning the company into profit.
   (d) One employee stated that during a very bad period he would have left the company if the briefs had not been positive and hopeful for the future and kept him involved in the fight. (There was plenty of work in the area.)
   (e) At the shop floor level especially there is a great appreciation that management is now talking directly to them. There is a far greater identity with their company as a result.

Companies getting the greatest benefit seem to be those that have operated briefing for the longest, hence gained more credibility, so that briefing is now part of the management style.

The audit also highlighted aspects of the briefing process that required improvement and experiences that could be usefully shared between units.

As shown, the audit report indicated some of the benefits of the communication system, and it observed that these took time to develop. The report's reference to "a new understanding of the realities" has been evidenced in the responsible approach to local pay negotiations when a number of the businesses confronted with a tough situation could afford no pay improvement or a very low one in successive years. This new understanding has been demonstrated in a greater appreciation of costs, customers and quality in general.

Two examples of Vickers' successful application of careful planning and effective communication in a major change situation are outlined next. Crabtree Vickers Leeds (a printing machinery company) faced a major recession in its markets in 1981–82. It achieved, without conflict, the closure and transfer to a new location of three long-established manufacturing plants within a 14-mile radius. This involved a substantial reduction in the workforce while retaining key skills.

Defense Systems Division in 1982–83 planned and achieved the transfer of the business to a new site in the same area in exactly 12 months to schedule. This involved the closure of a large, long-established

old works, the construction of a totally new facility, and the maintenance of continuity of production with a smaller workforce.

Neither of these accomplishments would have been successful without the cooperation of the employees in the locations concerned. They were fully briefed throughout the program; careful attention was also given to public relations in those communities.

CONCLUSION

This case study has mainly concentrated on employee communication and its development through a period of major change for the company. However, the changes during the five-year period were not isolated events. Change is a constant, and the ability to respond to it largely depends on the quality of workplace relations. That is, employees will respond appropriately when they understand the problems and the solutions and can trust management to give them the facts. Vickers' commitment to its program of employee involvement was not only an investment of resources but also a significant move to a more open style of management that served both the interests of its employees and the future prosperity of its businesses. The Vickers' initiative shows that it takes time to develop effective communication, to build confidence and to extend the philosophy as widely as possible. The company's successful strategy of employee involvement through good communication is believed to be a major factor in redefining the "us and them" roles in the new industrial relations environment—rather than labor versus management, the adversaries are more likely to be Vickers versus the competition.

APPENDIX A

Rolls-Royce Motors (A Vickers Company)

Employee Communication

Method	Purpose	Recipients	Speed	Frequency
'Same Day' briefings - usually issued from IR Department in form of briefing document	To get very urgent information to all employees, perhaps before the media	Departmental Managers Supervisors Then given verbally to all employees	Within 2-3 hours of document preparation	As required
Restricted circulation briefing notes - usually issued from IR Department	To get information to Managers, and perhaps Supervisors, not for active briefing but so that they can answer questions if asked	Departmental Managers and Supervisors, if appropriate	Within 24 hours	As required
Operation Meeting de-briefings	To inform Managers of main features of Operations Meetings	Managers	Within 24 hours of Operations Meetings	11 times per year
Briefing Meetings - using centrally issued briefing sheet added to by Managers and Supervisors	To inform all employees about how the business is doing. Also to provide relevant information at departmental/ section level	Managers (briefing note) Supervisors (briefing note and verbal) All employees (verbally only)	Within 3 days of Operations Meetings	11 times per year
Video presentations by Senior Managers	Presentation of Vickers Annual results Address to employees by Managing Director	All employees in groups of no more than 50 (Note: Senior Managers are briefed by Managing Director)	Up to 3 days	Annually in March As required
'Voice' - in-house newspaper	Local newspaper for Car Group and Crewe site of PCDV. Gives blend of employee and company news, including sports and social events	Distributed to all employees	Within 1 or 2 days of publication	9 times per year
'Vickers news' - in-house newspaper	To keep all employees informed about Vickers. Also contains features on individual employees sports & social activities and items of general interest (fashion, cookery, gardening, etc.)	Available to all employees	Within a few days of publication	Monthly
Briefing to Senior Union representatives by Board	To provide senior representatives with the detail behind the figures and information briefed to general employees. Two-way dialogue but not negotiation	Senior Union Representatives		3 days after alternate Operations Meetings
Briefings to Senior Union representatives in Joint Works Committee by Senior Managers	To help representatives understand the state of the business in relation to various negotiated issues	Senior Union Representatives		As each full Joint Works Committee meeting
Notice Boards	Used to display job vacancies, sports & social club notices, prize draw results, canteen menus, fire/safety regulations	All employees (over 60 Notice Boards in plant)	Boards updated twice weekly	As required
Direct Contact	Where necessary the Company communicates directly with employees, by-passing union officials on occasions when it considers the divulgence of certain information to be its responsibility alone	Appropriate group of employees	Time taken for mail to individuals homes or to hand out	As required
'Tannoy'	To convey information instantly for which a stoppage of work is not warranted, e.g. local traffic information	All employees	Instant	As required - in practice, very infrequently

APPENDIX B

Brown Brothers & Company Limited
Rosebank Works–Edinburgh

Communication—Team briefing

(1) In recognition of the importance of communicating Company and Departmental information regularly and accurately, "Team briefing" was introduced, effective from March 1982.

(2) "Team briefing" is a systematic approach to communication, through meetings held at regular intervals, with opportunities for questions and answers.

(3) Aims of "Team briefing" are to:
- (a) Minimise misunderstandings
- (b) Seek co-operation
- (c) Improve commitment
- (d) Reinforce role of manager/supervisor
- (e) Reduce damaging effect of rumour

(4) Teams, or Briefing Groups, should, ideally, consist of between 4 and 15 people, from work teams with a common identity.

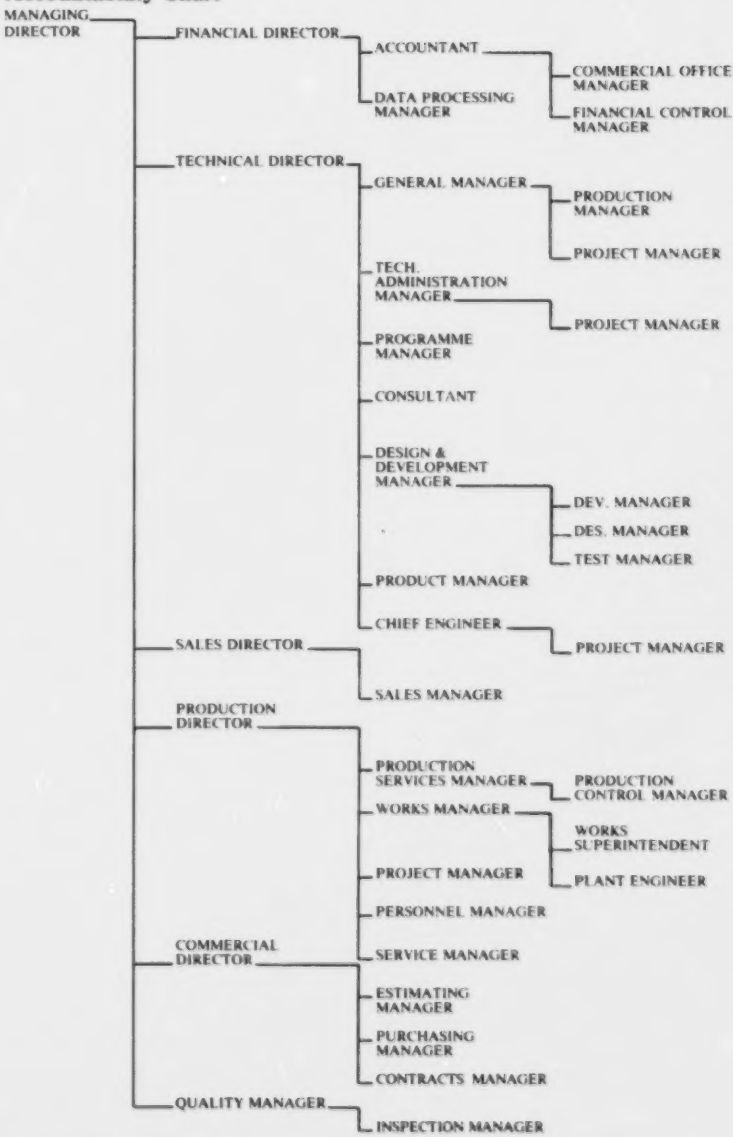
(5) Team Leader, or Briefer, will usually be the line manager or supervisor accountable for the work of the team.

(6) Items to talk about may be categorised under the following guidance headings:
- (a) Progress
- (b) Policy
- (c) People
- (d) Points for Action

(7) Briefers will ensure that information is relevant and that it contains "local" information prepared by the Briefer. All subjects will be recorded on the "Management Brief" Form.

From *Team Briefing*, by Janis Grummitt (London: The Industrial Society, 1983), p. 28; reprinted by permission.

Accountability Chart



From *Team Briefing*, p. 33; reprinted by permission.

APPENDIX C

Management Brief

Briefing Group: *16* Absentees: *S Price - A Simmons*

Date and time briefing held: *18th January 1983 - 10am S Newbury*

Briefing Group Leader: *G W Pryke*

Note to Briefing Leader

1 This brief provides the essential message – add this information to your own briefing material.

2 Convey the meaning in your own words, which you know will be understood, and where possible illustrate with a practical example that is relevant to them.

3 Words or phrases which need to convey a precise meaning will be underlined. These should **not** be changed in briefing.

4 Encourage questions. Ensure that the message is understood.

5 Where possible give the answers to anticipated questions. Relate these to local situations. If you do not know the answer, say so, get the answer and give it to the questioner within 48 hours.

SUBJECTS AND KEY POINTS	NOTES
SALES: *Reach Target for 1982 of £7.5m. Forecast 1983 Period 1. £700,000. Planned intake 1983 £8.3m.*	
ORDERS: *Type 22 - 09 - 22112. Which will take us through to 1985 40 + Blades.*	
SUGGESTION SCHEME: *Re-introducing Scheme. Details later.*	
OVERHEADS: *Proposed Rate increase of 40% which means an extra £60,000 per year.*	

From *Team Briefing*, p. 34; reprinted by permission.

Case Study: Canada
Inco Limited - United Steelworkers

by Wallace T. Gretton

Director, Industrial Relations, Inco Limited

BACKGROUND

Inco is the non-Communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. The company is also a major producer of sulfuric acid and liquid sulfur dioxide. Its principal mines and processing operations are located in the Sudbury area of Ontario, the Thompson area of Manitoba and on the island of Sulawesi, Indonesia, with additional refineries in Great Britain. The company produces and markets a wide range of rolling mill, forged and machined products from facilities in the United States and Great Britain.

About 7,900 of the company's 18,700 employees work in the Sudbury area. The Mine, Mill and Smelter Workers Union, certified since 1945 as bargaining agent for all employees in the Ontario Division, was displaced by the United Steelworkers of America in 1962. Mine, Mill lost by a 15-vote margin after a lengthy and sometimes bitter campaign. Three years later, Mine, Mill attempted to regain bargaining rights but lost the representation vote ordered by the Ontario Labour Relations Board by a 2,000-vote margin.

The first three-year collective bargaining agreement with the Steelworkers was negotiated in 1963 without incident. Negotiations in 1966, however, were marred by a series of slowdowns and wildcat strikes that culminated in a 25-day work stoppage before settlement was reached. The 1969 negotiations also resulted in a strike, one that lasted for 128 days and seriously affected Inco's position in the world nickel market. At the conclusion of the strike, senior management decided that Inco should develop a new image as an employer and attempt to improve its relationship with both employees and the union. Thus, in 1972 Inco settled an agreement with concessions in excess of what were warranted or necessary. The local union interpreted this as a sign of company weakness and fear of a strike and at the negotiations in 1975 waited for Inco to make the same kind of excessive concessions. But these were not

forthcoming, and after some realistic last-minute bargaining, agreement was reached an hour following the strike deadline. However, the employees refused to return to work and remained on strike for 10 days before the settlement was ratified.

In 1978 the union bargaining committee was led by an inexperienced, militant union president. Against the advice of the Steelworkers district director and despite the slump of the world nickel market, an all-time high inventory at Inco and declining nickel prices, the union president precipitated a strike that lasted eight and one-half months.

1982 NEGOTIATIONS

In 1950 nickel was produced by only three producers in the non-Communist world—Inco and Falconbridge in Canada and SLN in New Caledonia, with Inco by far the world's largest producer, supplying about 85 percent of the world market. By the 1980s, however, 40 producers in some 20 locations were putting nickel on the market.

In the three decades prior to 1980, nickel consumption grew at a rate of about 6 percent a year. But by 1980, growth had slowed considerably and was expected to continue for some time at no more than 3 to 4 percent per annum. Inco's first quarter earnings for 1980 were a record high, but in the subsequent three quarters, earnings turned down sharply, reflecting the onset of recessionary conditions in Inco's principal markets.

Nickel demand in the non-Communist world fell by about 8 percent in 1981, marking the first time since the mid 1940s that demand had declined for two consecutive years. Demand declined again in 1982, with the price of nickel falling below the cost of production. Faced with these unprecedented business conditions, Inco's primary metals operations began a program of cash conservation and productivity improvements.

Bargaining for a new collective agreement began on March 3, 1982 at a time when Inco was in poor financial condition because of the severe worldwide depression in the nickel market. The union wanted a substantial monetary package far in excess of what Inco could reasonably offer. The union committee recommended that the membership reject Inco's settlement offer, and a strike commenced at midnight on May 31.

After consultation with company and union officials, the Minister of Labour convened a meeting on June 11. Three senior officers covered the company's financial, production and marketing functions. The union was represented by the district director, four Steelworkers staff representatives and the presidents of the two striking local unions. The company's current difficulties were discussed, and it was pointed out that even if the strike

were settled there would be no return to work before August 31 because of the deteriorating nickel market and Inco's excess inventory. The union representatives then determined that the strike was not effective and that settling it would qualify the members for unemployment insurance benefits.

On June 22, at the request of the Minister of Labour, the company officers made the same presentations to the complete union bargaining team. During the discussion that followed, local committee members wanted to know if the company planned additional shutdowns or layoffs that year or the next. Management replied by stressing the serious nature of the situation, the continuing market deterioration that had taken place and that every option was under continuous review. The company representatives referred specifically to the state of the Levack mine—its high production costs and the need to improve productivity. It was made clear that changing production methods from undercut and fill to bulk production methods would produce ore at a faster rate but require fewer miners. In addition, the company discussed rebuilding the smelter to make it more efficient, which also had employment implications.

The union representatives said they felt entitled to some say in their future. They were specifically concerned about levels of unemployment and wanted to participate in discussions that could help determine how many people would be employed. It was agreed that the company representatives would take this message back to management. Union officers also expressed concern that if the company had given them the information they received at the Ministry of Labour sooner, there would not have been a strike. The company, however, felt that it had sufficiently informed the union about the financial and marketing problems on a number of occasions across the bargaining table, but that the union had refused to take these issues into account in their proposals. The day after this meeting, the union was advised that the company would not resume operations until October 4, 1982.

Faced with the alternative of continuing a strike that was not seriously hurting the company or agreeing to Inco's offer for settlement and collecting unemployment benefits during the announced shutdown period, the union chose the latter and recommended the company's settlement offer. The strike ended July 2, and the employees immediately applied for unemployment benefits. The company did not resume operations until April 4, 1983.

After this episode it was agreed that the union and employees should be advised of management's future position and plans. The existing semi-annual In-Term meetings and the annual Face-to-Face meetings were deemed appropriate vehicles to present such information.

IN-TERM AND FACE-TO-FACE MEETINGS

In 1970 Inco and the Steelworkers had initiated a series of two-day semiannual meetings to deal with problems arising from the administration of the collective bargaining agreement and to improve communication between the parties. In the early years the meetings dealt primarily with specific union grievances. In 1980 a discussion on marketing was included in each In-Term meeting, and after the 1982 work stoppage, presentations on the company's financial performance and production plans were also incorporated.

A typical In-Term session includes discussions on diverse topics such as corporate financial review, production update, labor relations at specific mines, modified work assignments, contracting out, employee training, and safety and health.

Satisfied that the In-Term meetings had helped to improve relations with employees and the union, the company introduced Face-to-Face meetings in 1981. Groups of approximately 50 employees attend these annual presentations on the state of the company and are free to ask questions. Employees receive a written summary of their division's progress and of company policies on employee-related developments and broader economic events affecting Inco's performance.

The negotiations in 1985 showed that the In-Term and Face-to-Face meetings had benefited labor-management relations. Bargaining went well, the union amended its position because of the company's unsatisfactory financial position, and a reasonable settlement was achieved without any difficulty. Inco intends to make the same kind of presentation to the union bargaining committee prior to the next negotiations.

PRODUCTIVITY IMPROVEMENTS AND TECHNOLOGICAL CHANGE

In 1981 Inco developed a new bulk mining method known as vertical retreat, currently used to produce about 85 percent of its ore. The use of the new method has proved to be more efficient and less costly than previous methods and is relatively safer than conventional methods.

In 1983 Inco reactivated Copper Cliff North Mine, closed since 1977, as a research mine. The union was approached and approved the revision of job classifications at this mine from 26 specific jobs to 6 multidiscipline classifications. The multidiscipline classifications required a number of experienced miners to be trained for new tasks and resulted in higher pay levels and significantly increased flexibility in job assignment.

Similar classifications were made at two other mines, again with union cooperation.

Many other innovations and technological changes have been made in the company's mines and smelting and refining plants. To date Inco and the Steelworkers have worked together in making these changes.

Part of the success for the acceptance of these innovations can be traced to a 1969 provision in Inco's collective bargaining agreement that made rate protection available for employees adversely affected by technological change. This provision has been revised several times during contract negotiations, with a major revision agreed to in 1985. A joint Technological Change Committee established in that year has been very successful in resolving many problems, including the rate protection of a number of miners displaced by vertical retreat mining. Committee members are kept advised of current and proposed changes and their anticipated impact on the workforce. This enables the committee to discuss ideas in advance, which helps to avoid or alleviate any difficulties involved.

New Cooperative Relationships: A Complement to Collective Bargaining

by Phillip E. Ray

Vice President, National Planning Association

In an increasingly competitive environment, the successful management of business depends on the good will and cooperation of the workforce and its flexibility in adapting to new technology and working methods. To achieve this flexibility, the elaborate sets of work rules and procedures developed over the past decade will have to be broadened or eliminated. The case studies presented in this report illustrate that this can be done while keeping good relationships with the workforce and simultaneously enhancing the labor-management relationship.

The new cooperative relationships between some labor and managements discussed here merit attention because of their resilience in responding to the increasing demands being placed on them to maintain competitiveness. The institutional arrangements described in the preceding sections offer a survival mechanism for U.S., U.K. and Canadian industry and their workforce. Decisions made by labor and management across the bargaining table are important in determining future living standards in these countries. There are encouraging indicators that some of the present difficulties confronting numerous industries are being resolved by broadening—rather than narrowing through confrontational attitudes—the opportunities for the labor-management relationship to operate. Effective managements in some cases have stopped assuming that unions neither want to know nor cannot understand the impact of foreign and domestic competition and are operating from that new vantage point.

Current economic events as well as pressures from the shop floor beg for quick action, adaptability and experimentation in an arena where the objective has always been stability. Although it is not difficult to envisage what the new relationship between management and unions in the United States, the United Kingdom and Canada could become, it is unclear how the transition to that position might occur. The relatively slow and somewhat lengthy transition period that is the hallmark of changes in industrial relations raises questions about a less adversarial role being adopted by labor, management and government as one economic prescription for the problem of competitiveness. In an economic environment highlighted by recession, developing country growth in exporting manufactured products, new technology, mobility of capital, and expansion of multinational enterprises, the crucial question is: why have some

industries, some unions and some managements—whose past relationship could be characterized as respectful yet strongly adversarial—been able to respond innovatively and quickly to these major shifts while others have not?

One answer that emerges from the case studies reviewed by the British-North American Committee suggests that reworking a relationship to sustain a firm's or even an industry's competitiveness depends fundamentally upon management's acceptance of *union and job security* and *strategic planning with worker representatives* to resolve issues of cost reduction, workforce flexibility and product quality. A more secure role for employees and union representatives seems possible, however, only when unions are prepared to adopt these principles as part of their basic strategy in representing workers. The role of management in sharing strategic information about the firm and the role of a union in exercising influence over its members are two key variables in determining what happens beyond a single contract negotiation. When management lacks understanding of the union's political process or attempts to take advantage of that process, instability can result. Similarly, when unions fail to recognize the varied pressures on management and refuse to discuss broader economic factors as relevant to the bargaining exercise, the long-term labor-management relationship is in jeopardy.

Even though labor and management do not always share the same goals, and long-standing differences often persist, there are broad areas of mutual concern that can be resolved in the interests of both workers and employers. A successful labor-management relationship lays the basis for unprecedented opportunities to advance these shared interests in today's competitive global market.

There is a second important question to be addressed: what is the appropriate role for government in fostering successful labor-management relationships? The continuing rapid social and economic changes that inevitably result in dislocations are also vital to restoring U.S., U.K. and Canadian competitiveness. In the face of these changes, however, governments will increasingly come under pressure to formulate policies that will enable the economies of the three nations to compete more efficiently. Improving each country's economic performance requires a special focus on the design of public policies that will sustain and diffuse the new labor-management strategies described in this study.

How governments involve labor and management as well as other private sector groups in developing new industrial relations policies and programs is critical. Some governments have been partners in innovations that have occurred in recent years. The adoption of the Labor-Management Cooperation Act by the U.S. Congress signaled its public en-

dorsement of the benefits of labor-management cooperation. In addition, the U.S. Department of Labor (DOL) has established a division of labor-management relations and cooperative programs to promote research and discussion of innovations in this area. Similarly, the present U.K. government's series of Employment Relations Acts have refocused public attention on labor-management relationships in the United Kingdom in a rather dramatic manner.

Many U.S. DOL initiatives—especially the project reviewing the fit between current U.S. labor law and the promotion of greater labor-management cooperation—have increased awareness of the new industrial relations developments and their potential contributions. There is also growing awareness of the need for national employment policies that encourage greater worker flexibility and adaptability, as indicated by the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation. This approach could serve as a model for other national initiatives to forge a better understanding of the link between employment, economic and labor policies. It remains to be seen, however, whether the U.S. government can sustain these initiatives in light of the political swings often associated with changes in administrations.

It is evident that the economic pressures of the past decade have promoted an entire spectrum of responses by individual managements and labor, sometimes leading to more adversarial attitudes, sometimes renewing interest in more cooperative arrangements, and sometimes soliciting government involvement in labor-management initiatives. But to achieve competitiveness without damaging living standards and the social and political traditions of each country, new arrangements are required by labor, management and government. Tripartite collaboration is now much more important than at any previous time.

Labor-management cooperation does not just happen—care and nurturing are needed to develop mutual trust and respect. Such cooperation is most likely to work when labor and management view it as a two-way street—when they treat each other as partners practicing broad consultation at the highest level on issues such as investment plans, procurement policies, product development, and production sites. It is not the answer to every problem. However, today's economic climate is increasingly favorable to union-management cooperation that goes beyond the labor contract without violating its principles. To be sustained, the relationships must be complemented by appropriate rewards, compensation systems and employment programs that offer greater employment stability.

The industrial relations experts in this study suggest that labor-management relations have reached the stage in the three countries where

progress, and perhaps even survival, may depend on shared recognition of the need for joint solutions. Although experience with the labor-management cooperative arrangements described here is relatively new, one lesson clearly emerges: change is more easily accommodated and sustained when reached jointly rather than when unilaterally imposed by management or unwillingly extracted by labor. This is nowhere more evident than in the struggle to keep specific industries competitive and human resources productively employed.

The British-North American Committee is encouraged that in some industries, some companies and unions are coming to the bargaining table not to argue over the division of a shrinking economic pie, but to work together to design a complement to collective bargaining that is more suited to present and future economic environments.

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